

NIPPON PAPER GROUP

Sustainability Report 2009



Editorial Policy

The Nippon Paper Group regularly publishes a corporate social responsibility (CSR) report to communicate to a wide range of stakeholders efforts to meet its responsibilities as a corporate citizen. We present the information in two formats, one that attempts to provide complete and in-depth disclosure (Detailed Edition) and another that provides easy-to-read highlights covering the most important topics (Highlight Edition).

Period Covered

April 1, 2008-March 31, 2009*

* Includes some information from before April 1, 2008, or after March 31, 2009.

Scope of Organizations

In this report, the holding company, Nippon Paper Group, Inc. reports on the activities of ten companies including the Nippon Paper Group, Inc., and the nine core companies listed below:

Nippon Paper Group, Inc.; Nippon Paper Industries Co., Ltd.; Nippon Daishowa Paperboard Co., Ltd.; Nippon Paper Crecia Co., Ltd.; Nippon Paper Papyrus Co., Ltd.; NIPPON PAPER-PAK CO., LTD.; Nippon Paper Chemicals Co., Ltd.; Nippon Paper Lumber Co., Ltd.; NP Trading Co., Ltd.; Nippon Paper Development Co., Ltd.

(The contribution to total consolidated sales of these nine companies was 88%.)

The scope of organizations covered with respect to basic policies and systems concerning the environment, environmental accounting and environmental performance data consists of the following 18 companies, which include all our major production bases.

Nippon Paper Group, Inc.; Nippon Paper Industries Co., Ltd.; Nippon Daishowa Paperboard Co., Ltd.; Nippon Paper Crecia Co., Ltd.; Nippon Paper Papyrus Co., Ltd.; NIPPON PAPER-PAK CO., LTD.; Nippon Paper Chemicals Co., Ltd.; Nippon Paper Lumber Co., Ltd.; NP Trading Co., Ltd.; Nippon Paper Development Co., Ltd.; KOYO PAPER MFG. CO., LTD.; Kitakami Paper Co., Ltd.; Nippon Paper Industries USA Co., Ltd.; Nippon Seitai Corporation; Akita Jujo Chemicals Co., Ltd. (unconsolidated); PAL CO., LTD.; Daishowa Uniboard Co., Ltd.; SHIKOKU COCA-COLA BOTTLING CO., LTD.

(The contribution to total consolidated sales of the 18 companies listed here was 96%.)

The companies listed above are defined as “the Core Group Companies” in this report, clearly differentiated from the Nippon Paper Group (or the Group), which includes organizations outside the companies listed above. The organizational structure of the Nippon Paper Group is outlined in “Outline of the Nippon Paper Group” on pages 26–27. However, the organizational scope covered by certain sections of this report may differ. In such cases, individual sections specify the scope covered.

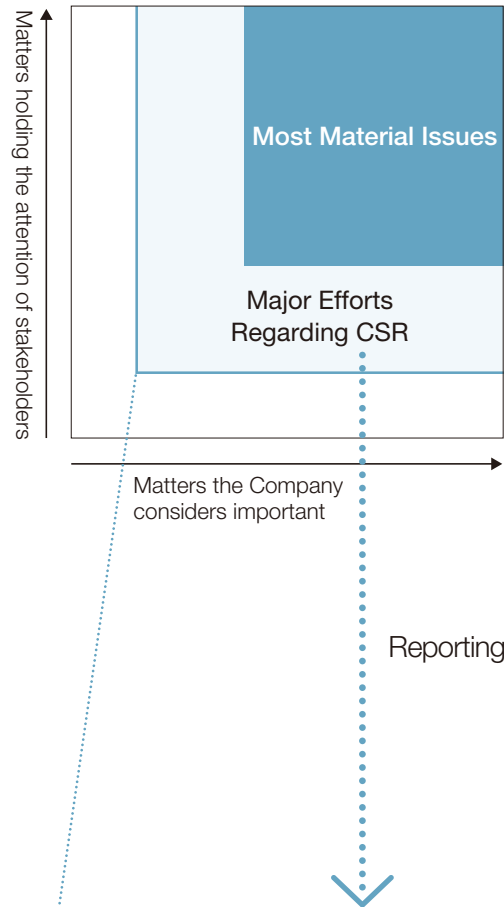
Referenced Guidelines

- *Environmental Reporting Guidelines* of the Ministry of the Environment
- *Sustainability Reporting Guidelines (3rd edition)* by Global Reporting Initiative (GRI)
- United Nations Global Compact, etc.

Disclaimer

This report includes statements of fact and historical data as well as plans, forecasts and estimates (forward-looking statements) based on the business plan and policies of Nippon Paper Group. These forward-looking statements are the result of assumptions or judgments based on currently available information as this report was prepared. Be advised that the estimates described in the forward-looking statements may differ significantly from actual results due to a number of important factors including future business activities and changing market conditions.

Nippon Paper Group's Sustainability Reporting



Sustainability Report (Detailed Edition, only in Japanese)

Please visit the Nippon Paper Group's website.

<http://www.np-g.com/csr/>

Items reported in the detailed edition

Business Outline

Message from the President

Feature1

Measures to Conserve Biodiversity

Feature2

Collaborating with Regional Communities to Produce Forest Thinning Support Paper

Report

Working to Keep Discrepancies in De-inked Pulp Content Ratios and Misrepresented Labels from Recurring

Management Responsibility

Group Governance
CSR Management
Dialog with Stakeholders
Information Disclosure and Investors Relations
Profit Distribution to Shareholders
Compliance

Environmental Responsibility

Material Balance
Environmental Management
Preventing Climate Change
Recycling of Recovered Paper
Reducing Waste Generation and Emissions
Initiatives Targeting Environmental Pollution
Targets and Results of Environmental Conservations
Environmental Accounting

* For mail delivery, please contact: <http://www.np-g.com/e/appliform/>

This report

**Sustainability Report 2009
(Highlight Edition)**

Reporting on the most
important issues



Highlight Edition



Detailed Edition
(in PDF format)

Material Procurement Responsibility

- Raw Material Procurement
- Policy and Management
- Efforts in Supply Chain Management
- Stable Supply of Recovered Paper
- Overseas Afforestation
- Domestic Company-owned Forest
- Overview of Afforestation Areas

Responsibility to Stakeholders

- Responsibility to Customers
- Responsibility to Employees
- Responsibility to Local Communities

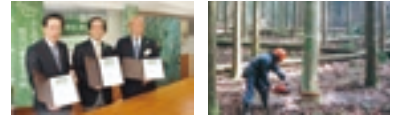
Guidelines Reference

Third-Party Comments

Actions in Response to Third-Party Comments

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Message from the President

Confident about weathering the crisis, we are looking beyond toward a bright future.

Our maxim of “growth-oriented management” will direct us in meeting the requirements and expectations of society.

The effects of the financial crisis, stemming from the U.S. subprime lending problem, have ricocheted around the globe, leaving untold damage in their wake. Moreover, such factors as dwindling birthrates, greater longevity and the expansion of electronic media have led to structural changes in Japanese society, resulting in harsh conditions for the domestic paper industry with little immediate prospect of significant growth. Based on its Second Medium-Term Business Plan, which embraces

the two fundamental themes of strengthening the foundations of our domestic operations and firming up the groundwork for a full-fledged overseas expansion. The Nippon Paper Group has adopted a scrap-and-build approach to manufacturing facilities in Japan, restructured its business operations groupwide, and pursued the acquisition of offshore businesses, including afforestation. In the face of a severe earnings environment, buffeted by unprecedented cost inflation, we initiated our Third Medium-Term Business Plan in fiscal 2009. Through this plan, we are now working to realize the objectives of our Group Vision 2015.

I believe that precisely because of these harsh operating conditions we can muster our strengths, with commitment to weathering the current crisis, and use this juncture as an opportunity for positive growth in the future. Since my appointment in June 2008, I have advocated an approach of “growth-oriented management” to focus our efforts on raising corporate value while meeting the requirements and expectations of society. I will aggressively take advantage of opportunities and strive to bring out the Group’s full potential with a constantly proactive stance.

I would also like to address the problem of discrepancies in the ratio of de-inked pulp content and the issue of soot and smoke emissions, both of which had broad-ranging impacts on stakeholders throughout society. Restoring our damaged credibility continues to feature as a priority item on our management agenda. The Nippon Paper Group is committed to the implementation of initiatives to prevent recurrence of such incidents and to ongoing improvement measures.



Yoshio Haga

President
Nippon Paper Group, Inc.

Responding to Global Environmental Problems

Corporate activities and environmental problems are integrally linked. Specifically, the Nippon Paper Group makes the supply of paper, with its background in supporting people's lives and contributing to cultural development, the foundation for its business activities, while maintaining deep-rooted links with the global environment through its forestry holdings.

In March 2007, the Nippon Paper Group revised its Charter on the Environment to reflect the philosophy behind its environmental measures: "The Nippon Paper Group is committed to helping preserve the global environment over the long term and contributing to the development of a recycling-based society by carrying out its corporate activities in recognition of the importance of biodiversity."

The Nippon Paper Group *Sustainability Report 2009* (Highlight Edition) incorporates two features: "Measures to Conserve Biodiversity," zooming in the creation of indigenous forests; and the Fujino Kuni Morino Chonaikai Project, which highlights our promotion of tree thinning. Other important themes covered include sustainable raw material procurement and measures to counter climate change problems. Our responses to these problems, all of which are important areas of concern for our stakeholders, are also included in the report.

Prioritizing Dialog with Stakeholders

We place the utmost importance on dialog with stakeholders to promote measures that address environmental and other problems that currently beset society. This approach enables us to ascertain issues of concern and expectations toward the company, to meet these expectations while accurately sensing changes in the offing, and to raise our corporate value. In May 2009, the head offices of various Group companies were relocated and consolidated. This move facilitates smoother internal communications in pursuit of total optimization, and thus enables us to deploy the Group's power effectively in promoting CSR initiatives.

It is imperative for us to broaden our perspectives and cooperate with society to overcome an array of escalating global social issues, such as the problems of climate change. Toward this end, we fully support and participate in the United Nations Global Compact, with its guiding principles regarding human rights, labor standards, the environment, and prevention of corruption.

The Nippon Paper Group will continue to hold dialogs with stakeholders in its drive to contribute to the ongoing development of society. I would like to thank you for reading the *Sustainability Report 2009* and welcome your candid opinions on its content. We look forward to your continued guidance and support in the future.



Measures to Conserve Biodiversity

In its Charter on the Environment, the Nippon Paper Group pledges “to carry out its corporate activities in recognition of the importance of biodiversity.” We apply this directive throughout our diverse environmental endeavors.

Some examples of our latest activities follow.

Working toward Indigenous Forestation [▶ Page 7](#)



Preserving Endangered Plants [▶ Page 8](#)



Passing on Precious Plant Genes [▶ Page 9](#)



The Nippon Paper Group’s Efforts

Many of the Earth’s species are threatened with extinction. The Nippon Paper Group addresses this situation with ongoing measures to conserve biodiversity that extend beyond the nature-conscious approach of its regular operations. We will continue to introduce new measures at Company-owned forests in Japan and use proprietary technologies.

Conservation of Biodiversity

Initiatives Involving Our Main Business

Maintaining Forest Biodiversity [▶ Pages 13, 15](#)

Supply Chain [▶ Pages 13, 14](#)

Reducing the Environmental Impact of Manufacturing Activities

(Purifying wastewater and gas emissions, countering global warming through reduced CO₂ emissions and introducing other measures)

Leveraging the Group’s Resources and Technologies

The Nippon Paper Group promotes measures to conserve biodiversity, some of which employ proprietary techniques. This feature highlights various such initiatives.

Working toward Indigenous Forestation

Start of Forestation Measures that Highlight Biodiversity

In its Charter on the Environment, the Nippon Paper Group pledges “to carry out its corporate activities in recognition of the importance of biodiversity.” Specifically, we have gained accreditation under the Forest Certification Program for conservation of biodiversity. ▶ Pages 13, 15

In July 2009, we invited Dr. Akira Miyawaki, the world’s foremost authority on silviculture, to our second Global Environmental Forum. After this event, the Nippon Paper Group’s President, Yoshio Haga, met with Dr. Miyawaki. Dr. Miyawaki proposed indigenous forestation in harmony with the economy. As the Nippon Paper Group steps up its biodiversity efforts to promote coexistence with regional communities, Dr. Miyawaki’s forestation doctrines seemed to be effective strategy. Accordingly, we decided on new forestation initiatives. Based on its accumulated experience in managing forests, the Nippon Paper Group plans to develop new forestation projects to conserve biodiversity.



Dr. Akira Miyawaki and Nippon Paper Group President Yoshio Haga



Dr. Akira Miyawaki inspecting potential planting sites at a Company-owned forest (October 2009)

Glossary

Indigenous forestation

refers to the vegetation that the natural environment would support if all human activities were to cease. Dr. Miyawaki’s investigations reveal that only 0.06% remains of the natural evergreen broadleaf forest belt in which more than 90% of Japan’s population resides.

Profile Akira Miyawaki

was born in Okayama Prefecture in 1928. After graduating from Hiroshima University’s Department of Biology, he served as Visiting Researcher at the Federal Institute for Vegetation Mapping in Germany, as a professor at Yokohama National University and as Chairman of the International Association for Ecology. Dr. Miyawaki is Professor Emeritus at the Yokohama National University and Director of the Japanese Center for International Studies in Ecology.

Hosted the Second Global Environmental Forum Address by Dr. Miyawaki: “Nurturing Forests to Coexist with the Economy”

In July 2009, the Nippon Paper Group hosted the second Global Environmental Forum. Dr. Akira Miyawaki addressed this meeting, which was open to the public.

Dr. Miyawaki spoke of the importance of forestation based on the theory of potential natural vegetation to restore biodiversity to Japan, which has almost no remaining indigenous forestation, even though 70% of the country is covered by forests.

Addressing the subject of timber as a resource, Dr. Miyawaki proposed that we should “strive to use our assets within the framework of our ecosystem.” He also appealed from the standpoint of the dual importance of the environment and the economy that “the assumption that conservation and economic development are

irreconcilable is shortsighted. Objectives are shared, and their coexistence is essential to our continued survival.”



The Dr. Akira Miyawaki Lecture

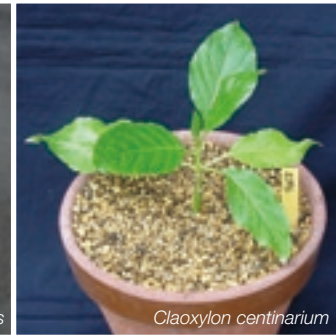
Preserving Endangered Plants



Pittosporum parvifolium



Morus boninensis



Claoxylon centinarium



Glaucidium palmatum

Nurturing Endangered Species in Ogasawara

Nippon Paper Industries has successfully propagated *Morus boninensis* seedlings by cultivating cuttings in specially developed containers (see page 9). In decline since the Meiji Era (1868–1912), this indigenous plant of the Ogasawara Islands is listed as a Class 1A endangered species. At the request of Tokyo University's Koishikawa Botanical Gardens* and the Japan Forest Tree Breeding Association, we are working to conserve the *Morus boninensis*. Owing to its hybridization with the *Morus australis*, pure strains of the *Morus boninensis* have grown difficult to obtain.

Pittosporum parvifolium and *Claoxylon centinarium* are also Class 1A endangered species indigenous to the Ogasawara Islands. We have successfully encouraged proliferation of these plants, too, and transplanted their seedlings back to the Ogasawara Islands.



Cultivation of *Claoxylon centinarium* seedlings

* Full name: Botanical Gardens, Graduate School of Science, The University of Tokyo

Using Company-Owned Forests to Conserve the Glaucidium Palmatum

In recent years, feeding damage by deer has depleted the *Glaucidium palmatum* (known in Japanese as *Shirane-aoi*), leading to its classification as a Near Threatened Species in the *Gunma Red Data Book* (Bureau of Environmental Protection and Social Betterment, Gunma Prefecture). The Shirane-aoi Preservation Group was established for the Protection of *Glaucidium palmatum*, primarily through the impetus of Gunma Prefectural Oze High School and the village of Katashina in Tone-gun, Gunma Prefecture. This body's conservation activities earned the Fiscal 2009 Environmental Protection Contribution Prize from the Minister for the Environment in June 2009.

Nippon Paper Industries provides the Shirane-aoi Preservation Group with nursery space for *Glaucidium palmatum* seedlings at the Company-owned Suganuma



Planting *Glaucidium palmatum* seedlings in the Suganuma Forest

Forest in Katashina. Nippon Paper Group employees also have volunteered for transplanting seedlings and other activities since 2002.

Passing on Precious Plant Genes

Planting Cherry Trees at an Elementary School

Since fiscal 2006, Nippon Paper Industries has used its technique for cultivating cuttings in containers to pass on to future generations the gene resources of 260 types of cherry trees owned by the Research Organization of Information of Systems' National Institute of Genetics.

During the initial planting of memorial trees in March 2008 as part of the Homeland for the Japanese Cherry campaign promoted by Shizuoka Prefecture, four types of seedlings cultivated by Nippon Paper Industries were planted at Mishima Municipal Kita Elementary School. The tree-planting itself was done by 135 sixth-year students. In addition to creating a vivid memory for the students, the event helped preserve the genes of precious cherry trees.



Children planting cherry trees

Seedlings planted by elementary school children (*Prunus pendula*)



Protecting Historically Valuable Cherry Trees

Throughout Japan, historical cherry trees mark the grounds of shrines, and some are reaching the ends of their natural lifecycles. Nippon Paper Industries protects cherry trees of historical and academic value through its proprietary technique for cultivating cuttings in containers.

Shiogamazakura, a notable cherry that graces Shiogamajinja Shrine, Shiogama, Miyagi Prefecture, has been designated a National Natural Treasure. Although cherry blossoms have been cultivated by grafting, fungal infestation from splicing and cross-fertilization with rootstock have led to



The regal Shiogamazakura cherry tree

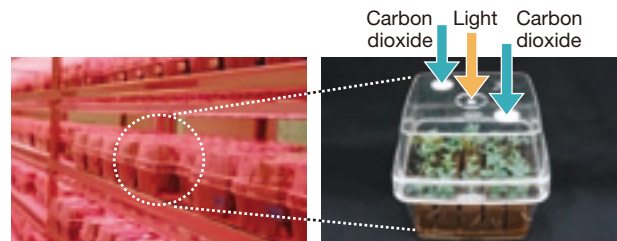
concern over shortening the tree's life. By using cuttings, Nippon Paper Industries has helped protect Shiogamazakura through successful direct rhizogenesis. Benefits include stronger character retention for the seedling than could be achieved via grafting, and a potentially extended life expectancy for the tree.

Glossary

Technique for cultivating cuttings in containers

refers to a technology that encourages plants to take root using a cultivating room characterized by an environment that promotes photosynthesis and a culture vessel. This method allows the growing of plants that failed to take root as cuttings.

- (1) Place the container in a cultivating room with an elevated carbon dioxide concentration and light with suitable wavelengths to boost the plants' photosynthetic activities.



- (2) Even tree varieties that previously had difficulty taking root as cuttings are able to do so.

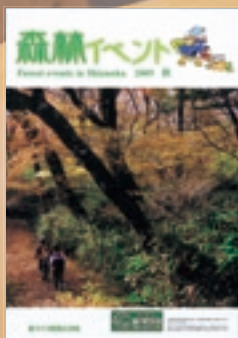
Collaborating with Regional Communities to Produce Forest Thinning Support Paper

The Nippon Paper Group cultivates healthy forests by using domestic timber and forest thinning material. As part of these efforts, in October 2009 the Fuji Mill of Nippon Paper Industries started the Fujino Kuni Morino Chonaikai (FKMC) in conjunction with Shizuoka Prefecture to promote forest thinning. This project is expected to help conserve woodlands in danger of dilapidation and rejuvenate the domestic forest products industry.

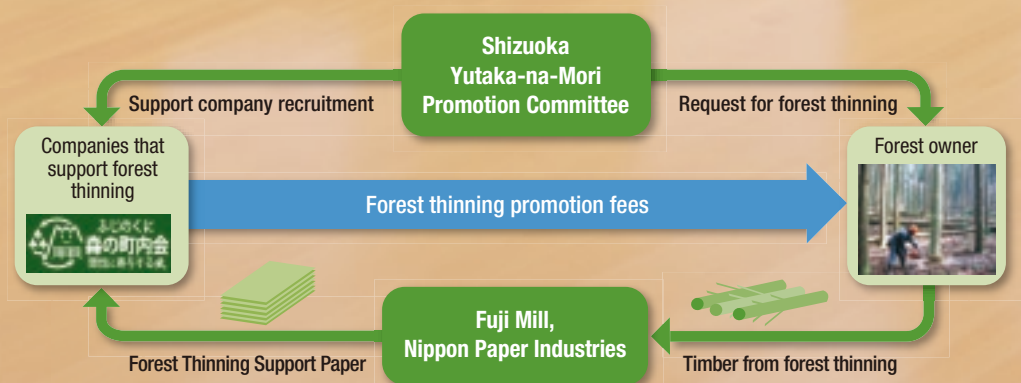


On October 19, 2009, Nippon Paper Industries concluded an agreement on the FKMC at the Shizuoka Prefectural Office with Shizuoka Prefecture and the Shizuoka Yutaka-na-Mori Promotion Committee. (From right) Takao Hirano, Shizuoka Yutaka-na-Mori Promotion Committee Representative; Isao Ishino, Environmental Protection Division Director, Department of Community Affairs, Shizuoka Prefecture; and Masami Yamaki, Managing Director and General Manager, Fuji Mill, Nippon Paper Industries

Mechanism to Promote Forest Thinning in Conjunction with Shizuoka Prefecture through Local Production for Local Consumption



Brochure using Forest Thinning Support Paper



FKMC website: <http://www.fmori-cho.com/> (Japanese only)

Cooperation with Shizuoka Prefecture's Fujino Kuni Morino Chonai-kai

Shizuoka Prefecture Mechanism Targeting Local Production for Local Consumption

Forests serve a diverse array of functions, including the CO₂ absorption and fixing that prevents global warming, maintenance of the ecosystem and the provision of reusable timber resources. Up to now, Shizuoka Prefecture has focused on cultivation activities that make use of the woods through the appropriate maintenance of regional mountains and forests and has sought policies to make effective use of unused forest resources. The FKMC promotes woodland conservation through forest thinning and the use of timber from forest thinning while fostering local production for local consumption.

Nippon Paper Industries participates in this project. Making use of the special characteristics of local paper mills, chipped thinning materials are purchased from forest owners across the prefecture and used as raw materials for making paper at the Fuji Mill, located in the city of Fuji. Until now, despite forest thinning efforts profitability issues prevented some thinning materials from entering the marketplace. With Nippon Paper Industries as a stable purchaser of thinning materials, progress is being made to employ previously unused resources effectively and revitalize the regional economy.

New Initiatives to Promote Forest Thinning

Based on the Morino Chonai-Kai (Forest Neighborhood Association), started by environmental NPO Office Chonai-Kai, the FKMC has created a unique mechanism for Shizuoka Prefecture under the office's guidance.

The Morino Chonai-Kai promotes forest thinning, which is necessary for the cultivation of forests. First, forest owners thin forest to provide materials from tree thinning. When companies purchase this Forest Thinning Support Paper, which is produced to correspond with the amount of thinning that has taken place, a forest thinning promotion fee is paid to the forest owners.

The FKMC employs a mechanism to further promote forest thinning. Forest owners thin forests corresponding to the amount of paper that has been sold in advance. Paper with an added forest thinning fee is sold as Forest Thinning Support Paper, and the amount of paper sold is equivalent to the amount of forest thinning that has taken place. Collecting the forest thinning promotion fees up front ensures that forest owners are able to conduct forest thinning. The Yutaka-na-Mori Promotion Committee, which promotes the creation of forests in Shizuoka Prefecture, has been appointed as the executive office and created the FKMC. Nippon Paper Industries will continue contributing to regional communities through its participation in the planning of these and other mechanisms.

Creation of Forests in Support of Greater Society



Isao Ishino
Director,
Environmental Protection Division
Department of Community Affairs,
Shizuoka Prefecture

From Mt. Fuji, the symbol of Japan, to the 3,000 meter-high mountain ranges that extend from the Oigawa riverhead to the southern Japanese Alps, Shizuoka Prefecture has abundant forest resources. In addition to providing timber, the forests that cover 65% of Shizuoka Prefecture absorb CO₂, prevent landslides, contribute to health and provide a wealth of recreational and other benefits. At the same time, stagnant lumber prices and other factors have caused more than half of the timber that is harvested to be left in the forest unused.

Maximizing the use of forest resources is directly connected to the creation of healthy forests. Using Forest Thinning Support Paper supports the creation of verdant forests for society as a whole.

Utilizing the Domestic Timber Network



Eiju Hangai
Executive Office Representative
Environmental NPO
Office Chonai-Kai

More than 93 companies, mostly in Tokyo, participate in Morino Chonai-Kai activities. The entire forest thinning promotion fee (¥15/kg) is added to the cost of approximately 500 tons of printing and other paper each year. This collected fee amount is allocated toward the cost of thinning 40 hectares of forest annually. The significance of Morino Chonai-Kai, even more than the scale of forest thinning, is to instill in the minds of consumers the idea that the utilization of domestic timber is positive.

As a result of illegal logging in tropical rainforests, logging is mistakenly viewed negatively in Japan. Morino Chonai-Kai and the FKMC have created a network to convey the importance of using domestic timber to broader society, which contributes to the promotion of forest thinning and the creation of healthy forests.

Sustainable Procurement of Raw Materials

We have met all three of our objectives for the sustainable procurement of raw materials.

Woodchips, which are the main raw materials for pulp and paper, are supplied from forests deeply intertwined with the global environment and ecosystems. Trees are a reproducible resource, but environmental destruction can occur unless forests are managed appropriately. As forest sustainability is an important factor in procuring wood raw materials, we conform to relevant statutes throughout our supply chain management process.

The Nippon Paper Group's Philosophy and Basic Policy Concerning Raw Material Procurement form the basis for reliable raw material procurement. Our structure, which employs global supply chain management, is environmentally sound and contributes to society. The following pages detail our practices and progress toward the three targets we had set to achieve by 2008.



Sustainable Procurement of Raw Materials: Objectives and Achievements

	Three objectives	Achievement status	Future policy	Page
Objective 1	Obtain forest certification for all Company-owned forests by 2008.	Company-owned forests in Japan Achieved in October 2007 Overseas plantations Achieved in December 2008	Maintain certification for all Company-owned forests.	13
Objective 2	Procure 100% of imported hardwood chips from plantations or certified forests by 2008.	Achieved in February 2009	Imported hardwood chips from plantations or certified forests.	14
Objective 3	Develop 100,000 hectares of overseas plantations by 2008.	Achieved in September 2006	Expand overseas plantation area to 200,000 hectares or more by 2015.	15

Obtaining Certification for Company-Owned Forests

We obtained certification for all Company-owned forests throughout the world.

Forest depletion, illegal logging and the loss of biodiversity are global problems. Against this backdrop, we believe that proper management is essential to maintain sustainable, healthy forests.

Nippon Paper Industries, which procures wood raw materials for the Group, set out to obtain forest certification* for all Company-owned forests by 2008 as part of its ongoing forest management practices.

In December 2008, we received FSC forest certification for the Amapa Florestal e Celulose Ltda. in Brazil, which joined the Group at the end of 2006. This completed our objective of earning certification for all Company-owned forests overseas, after reaching this goal in 2007 for all our forests in Japan. We intend to maintain this certification status going forward.

*** Forest certification**

Forest certification is a system by which third-party institutions objectively evaluate and certify that companies are properly maintaining and managing forests with consideration for society and the environment. Typical forest certification systems are administered by organizations such as the Forest Stewardship Council (FSC), which is well-known in Japan, the Programme for the Endorsement of Forest Certification schemes (PEFC), the world's largest forest certification program and the Sustainable Green Ecosystem Council (SGEC), which provides a certification unique to Japan.

Procurement that Contributes to Biodiversity

Based on its Charter on the Environment and basic policy of engaging in corporate activities that contribute to biodiversity, the Nippon Paper Group promotes initiatives related to important issues and awareness about raw material procurement.

The conservation of biodiversity is an important part of the forest certification. As such, we confirm our forest management through third-party assessments. We also survey our suppliers on biodiversity initiatives and procure plantation timber and certified woodchips from sustainable forests within our supply chain.



Surveying aquatic life at Volterra S.A. in Chile

Certification of Company-Owned Forests

Japan

Region	Obtained	Certification program
Hokkaido	December 2005	SGEC
Tohoku	October 2007	SGEC
Kanto and Chubu	October 2007*	SGEC
Kinki, Chugoku and Shikoku	December 2006	SGEC
Kyushu	March 2005	SGEC

* The Company's Kitayama Forest in Shizuoka Prefecture was certified in December 2003.

South Africa

Project (Subsidiary)	Obtained	Certification program
Forestico	April 2003	FSC

Brazil

Project (Subsidiary)	Obtained	Certification program
AMCEL	December 2008	FSC

Australia

Project (Subsidiary)	Obtained	Certification program
WAPRES	September 2004	AFS*
VTP	May 2005	AFS
BTP	April 2006	AFS
PTP	June 2006	AFS
SEFE	October 2006	AFS

Chile

Project (Subsidiary)	Obtained	Certification program
Volterra	December 2007	CERTFORCHILE*

* AFS and CERTFORCHILE are forest certification programs in Australia and Chile with reciprocal approval by the Programme for the Endorsement of Forest Certification (PEFC).

Sourcing Wood from Sustainable Forests

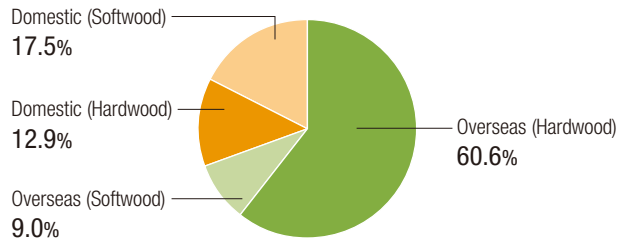
We reached our objective of procuring all imported hardwood chips from plantations and certified woodchips from sustainable forests.

The Nippon Paper Group uses the wood it procures throughout the world at pulp and paper mills in Japan. We source approximately 60% of our wood resources by importing hardwood chips (Graph 1). To ensure that resources are sustainable, the Nippon Paper Group set the goal of procuring all imported hardwood chips from plantations or certified forests by 2008.

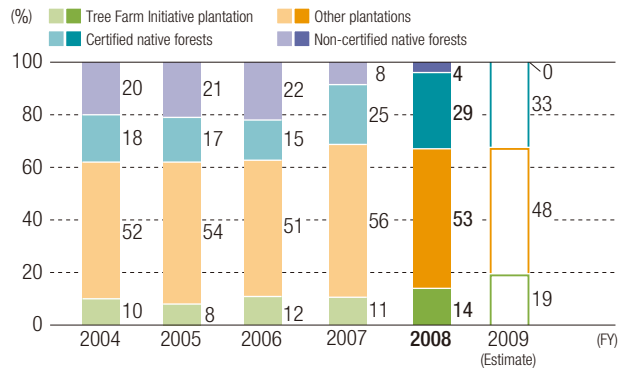
Plantations are established and managed for commercial purposes, whereas certified woodchips come from appropriately managed and certified forests. Both are the result of sustainable forest management practices.

To reach our target, we enlisted the cooperation of our suppliers and put in place various initiatives. Our achievements are reflected in our performance data from fiscal 2009 (Graph 2).

Graph 1. Wood Procurement



Graph 2. Imported Hardwoods by Type

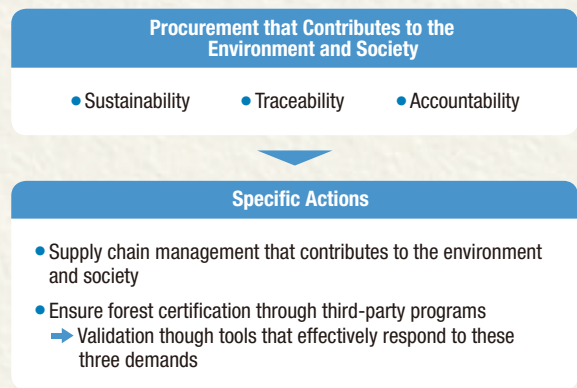


Procurement that Contributes to the Environment and Society

In addition to legal conformance, the Nippon Paper Group believes that sourcing from sustainable forests, clearly identifying place of origin and being able to demonstrate both are essential to sustainable procurement. To put these ideas into practice, we conduct supply chain management to purchase raw materials in a manner that contributes to the environment and society. Confirming shipping documents, supplier questionnaire results and information from local representatives helps ensure a reliable procurement structure.

We also employ third-party forest certification programs to benchmark raw material procurement. By obtaining certification of Company-owned forests and promoting certified woodchip procurement, we meet our

responsibilities both as forest owners and consumers of forest resources.



Developing Overseas Plantations Based on the Tree Farm Initiative



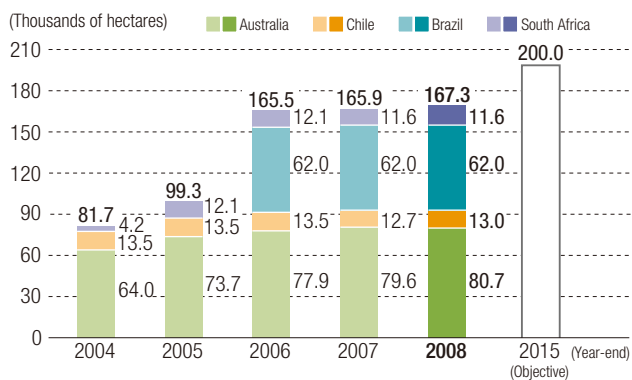
Having achieved our objective of 100,000 hectares, we raised our target for overseas plantations to 200,000 hectares.

As with other farmed crops, sustainable wood procurement is possible by raising, harvesting and making use of each year's new growth. This process describes the Tree Farm Initiative, the Group's overseas plantation project.

Starting with the goal of 100,000 hectares of overseas plantation by 2008, we began developing plantations in Chile in 1992. Later, we expanded the program to include Australia and South Africa, and reached our objective in 2006—two years ahead of schedule.

Our new target is to have 200,000 hectares of plantation in place by 2015. As of December 31, 2008, this area was 167,000 hectares, indicating steady progress (Graph 3).

Graph 3. Overseas Plantation Area by Country



Afforestation Projects that Help the Local Ecology

The Group conducts afforestation projects on grasslands, reclaimed farms and pastures and on plantation timber cutting areas. We select species by country according to climate-appropriateness and materials that are available for making paper. For instance, we plant *Eucalyptus globulus* and other species in Australia and Chile.

Eucalyptus trees are known for their quick growth, but afforestation presents local ecological issues involving soil fertility and water accumulation. To alleviate such concerns, we follow appropriate fertilization procedures and avoid potential effects on native vegetation by ensuring that our trees are not planted near groundwater arteries or adjacent to water courses.



Planting practices that preserve native vegetation. Blue indicates native vegetation along water courses.

Working to Keep Discrepancies in De-inked Pulp Content Ratios and Misrepresented Labels from Recurring

In January 2008, the Nippon Paper Group reported to the relevant government authorities and notified the public that it had been manufacturing certain recycled paper products with lower-than-standard de-inked pulp content and misrepresented that content. After thoroughly investigating the causes of these issues in each Group company, we spent six months creating recurrence prevention compliance and business process mechanisms. To

ensure that these measures are effective, we are making ongoing improvements while undergoing inspections by internal and third-party auditors. In addition, in June 2009 we created an opportunity for dialog with stakeholders to evaluate our recurrence prevention measures and hear opinions directly from people outside the Company, including with customers. The following pages detail this dialog and our ongoing improvements.



Dialog with stakeholders

Inspection and Improvement of Major Recurrence Prevention Measures

Initial initiatives

Thoroughly investigate causes and create recurrence prevention measures

- Investigation Committee investigates causes and verifies recurrence prevention measures
- Established CSR Division to strengthen compliance structure
- Conducted compliance training for officers and employees of Nippon Paper Industries
- Created recurrence prevention procedures, documented procedures for operation
- Conducted third-party audits

Note: Initiatives are detailed in the *Sustainability Report 2008* and on our website.

Initiatives to date

Review and investigation of recurrence prevention measure

- Held dialog with stakeholders
- Promoted ongoing recurrence prevention measure improvements
- Held ongoing third-party audits
- Conducted internal audits
- Successively reviewed recurrence prevention measure procedures based on audit results
- Held compliance training for Group companies

Note: The above items are detailed in this report. We will continue to introduce further improvements.

Taking Opinions into Earnest Consideration

Discussing Measures with Stakeholders on the Frontlines

Our stakeholder dialog involved 18 participants from outside the Company, including customers, people who collect and sort recovered paper, as well as people dealing in raw materials, and 20 Company directors and employees. These people were divided into three groups, which discussed recurrence prevention measures and environmentally friendly paper.

We achieved a degree of understanding of our recurrence prevention measures, including third-party audits. We were asked to follow up by improving our measures, gaining a more accurate understanding of societal needs and demonstrating accountability.

We took these requests to heart, and will strive to improve our procedures on an ongoing basis. We will demonstrate accountability through sustainability reports and other publications as we work to regain the trust of

Stakeholder Dialog




Conducting an extended stakeholder dialog based on last year's Investigation Committee results was a milestone. As many participants expressed sincere concerns and mistrust on the matter, senior management and the managers directly in charge of the situation should incorporate a more open-minded approach toward stakeholders in the course of their business activities. The dialog also touched on issues related to the sustainable use of resources and paper in society as whole. This should be clearly noted, as it provided a forum to stand alongside stakeholders and think about social issues.



Mizue Unno
Managing Director,
So-Tech Consulting Inc.

Note: Ms. Unno was an outside expert in the Investigation Committee. This time, she participated as an observer.

Major Opinions from Stakeholder Dialog

Participant	Major Opinion/Request	Participant Opinions
Paper Customers Manabu Ozawa Canon Marketing Japan Inc. Kazuyuki Kamei ASKUL Corporation Toru Saito TOBU RAILWAY CO., LTD. Takeshi Sasaki Kobunsha Co., Ltd. Hisayoshi Tabata Kyueisha Co., Ltd. Motoo Nishio Canon Marketing Japan Inc. Ippei Hiramatsu KOKUYO S&T Co., Ltd.	<ul style="list-style-type: none"> • Mechanisms to ensure market credibility must be enhanced continually. • Ongoing improvements must reflect societal and market needs. • The market and society have not yet been provided with convincing explanations. 	Recycled paper is not the only environmental topic. I would like to see a clear indication of forest certification and other guarantees. Also, the paper industry does not provide sufficient information to people outside the industry. In Japan, paper has gained traction as an important resource. That importance should receive stronger emphasis.  <p>Manabu Ozawa Supply Products Planning Dept. Manager Canon Marketing Japan Inc.</p>
Wood Resources Shigeru Shimoda Marubeni Corporation Takaya Tochiaki Forestry Agency Kenichi Nakazawa Friends of the Earth Japan Hikaru Nakano TOONOKOUSAN CORPORATION Yasushi Hibi CONSERVATION INTERNATIONAL JAPAN	<ul style="list-style-type: none"> • Quality is the total sense of value of the product on the receiving end. • In addition to recovered paper, mechanisms that guarantee and certify the sustainability of imported wood chips and lumber from tree thinning must be strengthened. • Ecosystem service and regional economic perspectives are necessary for domestic timber use and plantations. 	As an environmental protection organization, we found this incident shocking, and customers have a strong sense of having been cheated. Listening to the Company's explanation, I got the sense that they had given serious consideration to countermeasures. We would like to see them meet their responsibility to society by rigorously adhering to these countermeasures in the future.  <p>Kenichi Nakazawa Forest and Climate Change Manager Friends of the Earth Japan</p>
Recovered Paper Collecting and Sorting Masao Uekuri JAPAN FEDERATION OF PRINTING INDUSTRIES Kyoko Ejiri NPO Citizen's Union for Recycling in Tama Tokyo Shigeru Kataoka Nishinren Japan Recycle Co-op Michihiro Kaneko ECO SUPPORT Hajime Kurihara ALL NIPPON AIRWAYS TRADING CO., LTD.	<ul style="list-style-type: none"> • The people who are involved in collecting used paper have received almost no information on paper industry recurrence prevention measures and status of implementation, so we do not know how this issue is being addressed. • Paper companies should state clearly that environmentally conscious efforts, such as those involving recycled paper, affect quality to some degree. 	The sense of betrayal of our expectations that the recovered paper we provided would come back as a quality product has not been properly conveyed to the Company. I wonder if the Company understands that families sort and provide recovered paper to them free of charge?  <p>Kyoko Ejiri Managing Executive NPO Tokyo Tama Recycle Citizen Union</p>



Thorough Auditing



Mechanism to Verify Compliance on De-inked Pulp Content by Independent Audit

One factor contributing to the label misrepresentation of de-inked pulp content was an inadequate order and production management system. To resolve this inadequacy, the Nippon Paper Group created a mechanism for managing orders and production. This system is thoroughly audited.

Order and Production Management Mechanism

Orders: De-inked Pulp Content Ratio Verification Guaranteed Companywide

The decision-making process for a recycled paper product involves Sales, Quality Assurance, Raw Materials Procurement and other departments, as well as plants. When meeting the required de-inked pulp content ratio, we check for problems from all angles, including whether the necessary amount of de-inked pulp can be supplied. We only accept orders after all related departments have determined that we can meet the requirements.

Production: Thorough Compliance with De-inked Pulp Content Standards

To position de-inked pulp content ratio as a clear quality standard, we provide product information that verifies the de-inked pulp content ratio with all related parties, including mills. Mills produce paper according to quality standard descriptions. In these descriptions, we have also indicated product information for brands that guarantee a specific de-inked pulp content ratio. This method enables the comprehensive on-site management of de-inked pulp content ratios. In addition, the de-inked pulp content of completed products is verified by the Quality Assurance Department at headquarters and Quality Management

departments at mills to prevent products that fail to meet established blending ratios from being shipped.

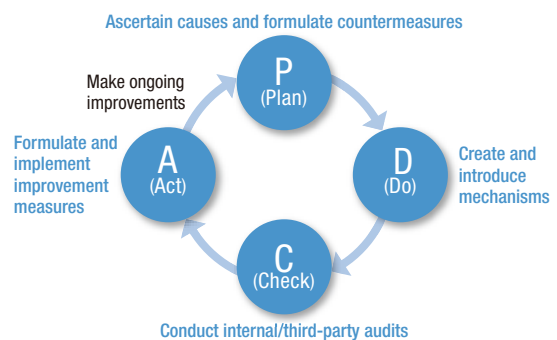
Operational Status Verification

The operation of the recurrence prevention mechanism was documented. Regular audits are conducted to verify the mechanism's management and operation, enabling ongoing improvements.

Audits are conducted from the perspectives of performance (procedural application and compliance observation) and systems (procedural management and review). In this way, we can better identify and correct any discrepancies or insufficiencies.

Furthermore, we conduct both third-party and internal audits. Performance audits are performed by SGS Japan, which handles FSC and other forest certification programs. As in the past, system audits are conducted as part of the ISO 14001 environmental management system.

Ongoing Improvement Process Based on the PDCA Cycle



Regular Third-Party Audits by SGS Japan

Our initiative introducing third-party auditing for system management of de-inked pulp content ratio is an industry first. Following its implementation in fiscal 2008, we again asked SGS Japan to conduct audits in fiscal 2009.

The audits determined that the management system was operating according to documented procedures, and confirmed de-inked pulp content ratio compliance as guaranteed to the customer. Also, we received procedural improvement recommendations from SGS Japan that will enhance our management system. SGS Japan is scheduled to verify the status of these revised procedures during its fiscal 2010 third-party audit.

We will continue to improve our management system while striving to earn the trust of our customers and other stakeholders.



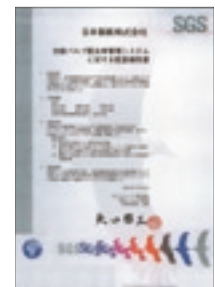
Management system explained by an employee



Document inspection

Status of Third-Party and Internal Audits

Company	Business Site	Third-party audit by SGS Japan			Internal Audit
		Fiscal 2008	Fiscal 2009	Fiscal 2010	
Nippon Paper Industries Co., Ltd.	Headquarters	In compliance	In compliance	Scheduled	Complete
	Ishinomaki Mill	In compliance	In compliance	—	Complete
	Iwanuma Mill	In compliance	In compliance	—	Complete
	Fuji Mill	In compliance	In compliance	—	Complete
	Kushiro Mill	In compliance	—	Scheduled	Complete
	Asahikawa Mill	In compliance	—	Scheduled	Complete
	Yatsushiro Mill	In compliance	—	Scheduled	Complete
Nippon Daishowa Paperboard Co., Ltd.	Yoshinaga Mill	In compliance	—	Scheduled	Complete



Audit report

Note: All business sites were audited in fiscal 2008. As the fiscal 2008 audit found all business sites to be in compliance, SGS Japan conducted the fiscal 2009 audit by sampling three mills and the Company headquarters. Mills not audited in fiscal 2009 are scheduled to undergo audits successively from fiscal 2010.

Groupwide Compliance Training

In acceptance of the severity of this compliance violation, and to prevent recurrence and ensure thorough compliance, compliance training was conducted groupwide (consolidated companies and production subsidiaries in Japan) at Nippon Paper Group, Inc. Along with this training, to encourage the use of the existing helpline (the Group whistleblower system), we also attempted to inculcate a better overall understanding of the system and how to use it.

Since April 2008, the Nippon Paper Group has conducted more than 80 compliance training sessions, completing these sessions for the Group in October 2009. We will continue to conduct compliance training in the future.



Compliance training

Initiatives Targeting Climate Change

We are working to reduce CO₂ emissions in all our business activities.

The Nippon Paper Group is working to reduce CO₂ emissions in three ways: saving energy in production and distribution process, converting fuel and managing forests properly to ensure CO₂ absorption/ sequestration.

Biomass boilers at Nippon Paper Industries' Iwakuni Mill

Initiatives Targeting Climate Change

Prevention of global warming

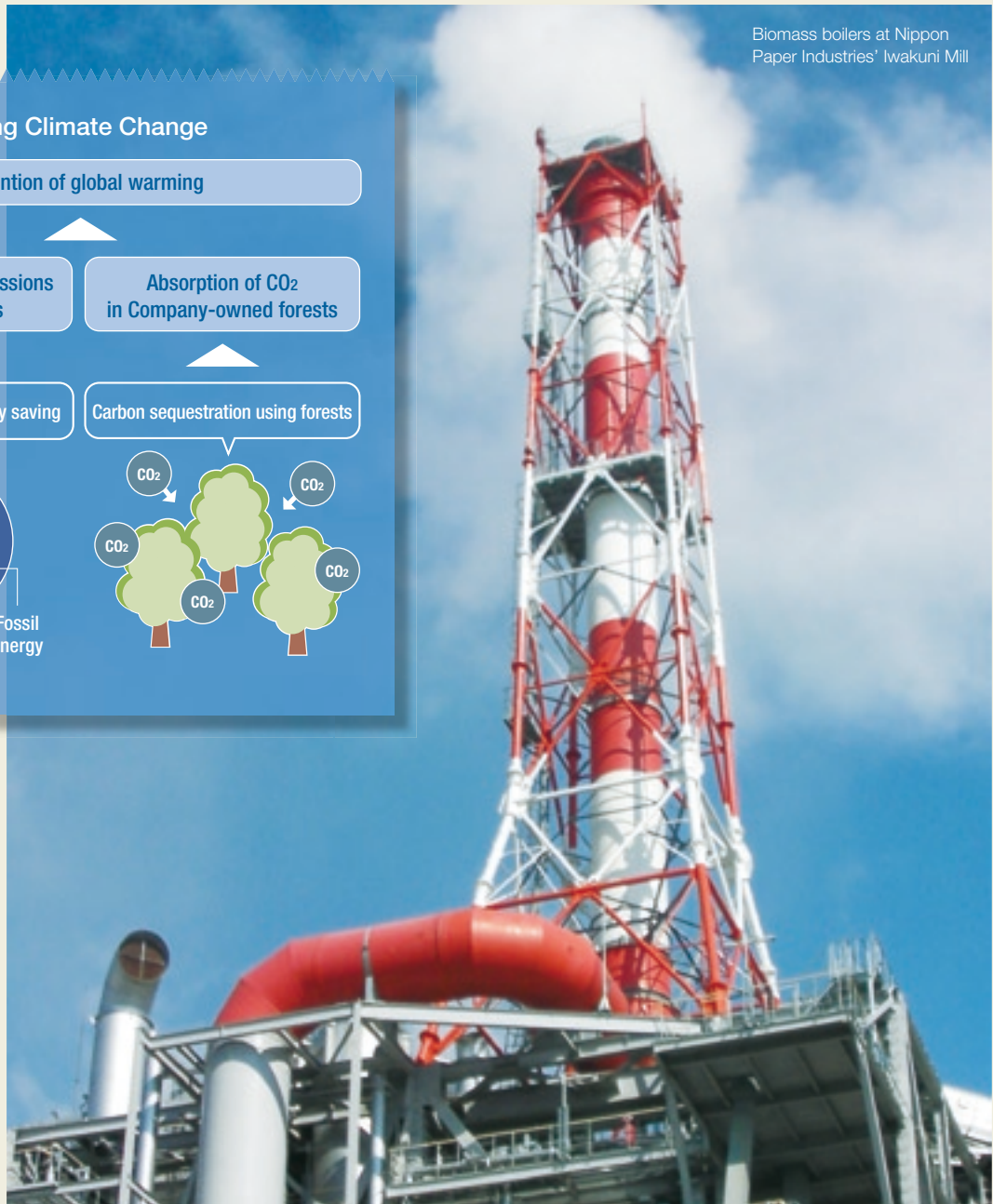
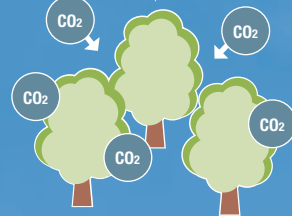
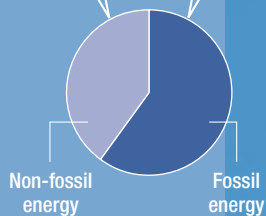
Reduction of CO₂ emissions from operations

Absorption of CO₂ in Company-owned forests

Fuel conversion

Energy saving

Carbon sequestration using forests



Reducing the Use of Fossil Fuels

Completed Installation of Boilers that Use Biomass and Waste

To prevent global warming, the Nippon Paper Group is reducing its use of fossil fuels. Since fiscal 2004, we have installed boilers that use non-fossil fuels, such as biomass and waste. In fiscal 2008, we installed such boilers in five mills, and another in fiscal 2009, achieving our objective of having boilers in 10 mills. These efforts should reduce CO₂ emissions from fossil fuels by 800,000 tons each year.

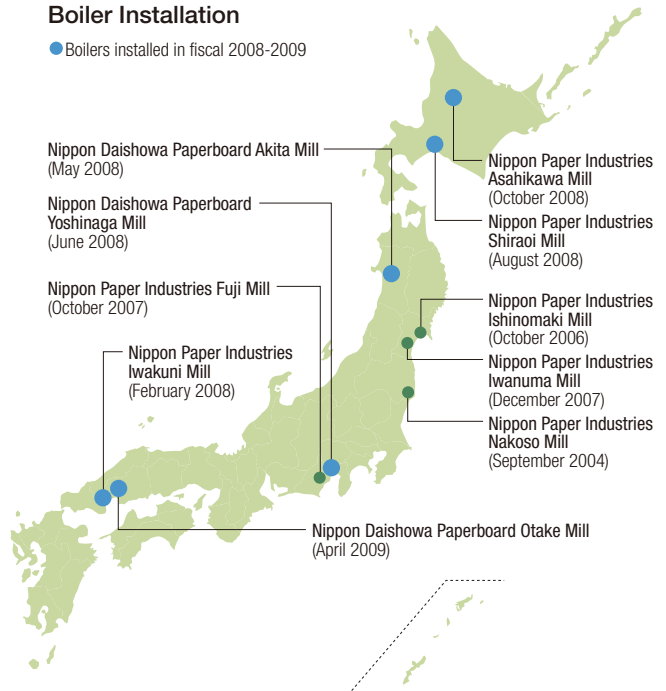
Fuel from Biomass and Waste



Construction scraps RPF* Used tires
 * Refuse paper and plastic fuel: Fuel derived from paper that is unusable as recovered paper and waste plastic.

Boiler Installation

● Boilers installed in fiscal 2008-2009



Use of Fuel from Waste in Cooperation with Regional Communities

In recent years, regional government bodies have aggressively promoted the conversion of refuse to fuel. The Group cooperates with local communities to employ boilers that use fuel from waste.

Using Fuel Derived from Sewage Sludge from Yamagata and Miyagi Prefectures (Iwanuma Mill, Nippon Paper Industries)

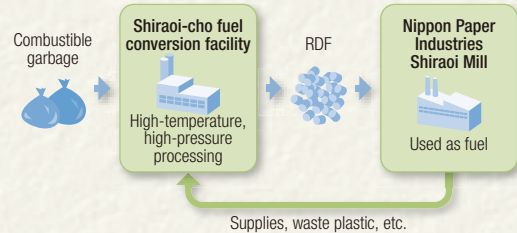
After livestock waste, sewage sludge is the biggest source of biomass. Our Iwanuma Mill uses fuel derived from sewage sludge from the city of Shinjo in Yamagata Prefecture and in Miyagi Prefecture.



Fuel created from sewage sludge

Using RDF from Shiraoi-cho in Hokkaido (Shiraai Mill, Nippon Paper Industries)

Refuse-derived fuel (RDF) comes from combustible garbage that has been pulverized, dried and compressed. In Hokkaido's Shiraoi-cho, RDF is from combustible garbage using a new high-temperature, high-pressure process technology. Our Shiraoi Mill started using this RDF in 2009.





Progress Report

Steady Progress to Meet Our Objectives in Fiscal 2010

The Nippon Paper Group formulated the Green Action Plan 2010 for the prevention of global warming, and is working to reduce CO₂ emissions.

In fiscal 2008, economic fluctuations significantly affected production activities and efficiencies, reducing CO₂ emissions 7.73 million tons, or 15.8%, compared to fiscal 1990 levels (Graph 1). In addition, total energy input fell 12%, compared to fiscal 1990 levels (Graph 2). Unit CO₂ emissions from fossil energy consumption declined 9.3%, and units of fossil energy decreased 14.6% (Graphs 3, 4).

Looking ahead, regardless of economic fluctuations, the Group will continue engaging in countermeasures to achieve its objectives.

Objectives of Green Action Plan 2010

Per product, by fiscal 2010:

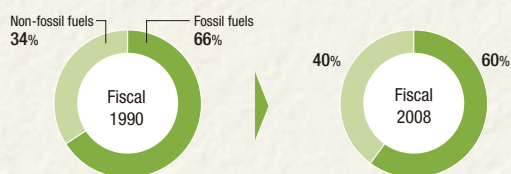
- Reduce per unit CO₂ emissions from fossil energy consumption by 16% compared to fiscal 1990 levels
- Reduce units of fossil energy by 20% compared to fiscal 1990 levels

40% Non-Fossil Energy

Black liquor, a byproduct of making pulp from woodchips, is used as biomass for pulp and paper manufacturing. Black liquor typically provides one-third of total energy, making it the leading biomass fuel source.

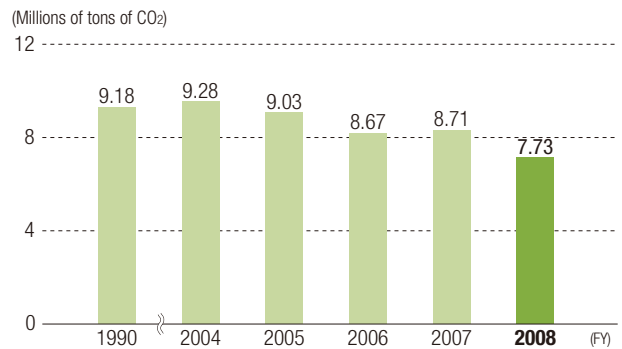
The Nippon Paper Group aggressively promotes the use of biomass, waste and other non-fossil fuels. As a result, our ratio of non-fossil energy has increased from 34% in fiscal 1990 to 40% at present.

Non-Fossil Fuel Usage Ratio

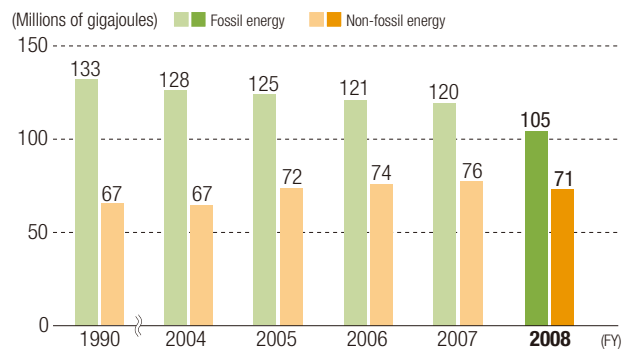


Note: Calculations based on Nippon Keidanren's Fiscal 2008 Follow-up to the Keidanren Voluntary Action Plan on the Environment.

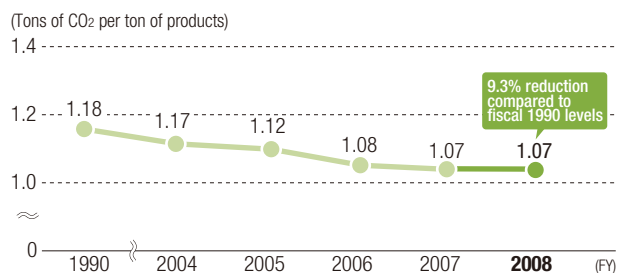
Graph 1. CO₂ Emissions from Fossil Energy (All Businesses)



Graph 2. Energy Input (All Businesses)



Graph 3. Unit CO₂ Emissions from Fossil Energy (Pulp and Paper Businesses)



Graph 4. Units of Fossil Energy (Pulp and Paper Businesses)



Note: Graphs 1-4, representing the Group in 2008, include figures calculated using fiscal 1990 and fiscal 2004-2007 data from Nippon Paper Papylia Co., Ltd. (formerly Mishima Paper Co., Ltd.)

Multifaceted Initiatives

Participating in the Trial Emission Trading and Carbon Footprint Pilot Program

Nippon Paper participates in Japan's trial integrated market for emission trading*¹. Through the Japan Paper Association, we help to create product category rules for METI's Carbon Footprint Pilot Program*². Through this cooperation and by providing data to evaluate the system and identify problems, we are helping to create an effective mechanism to counter global warming.

*1 Trial implementation of a domestic integrated market for emission trading

The trial began in October 2008 in accordance with the Action Plan for the Creation of a Low-Carbon Society (approved by the Cabinet July 29, 2008).

*2 Carbon Footprint Pilot Program

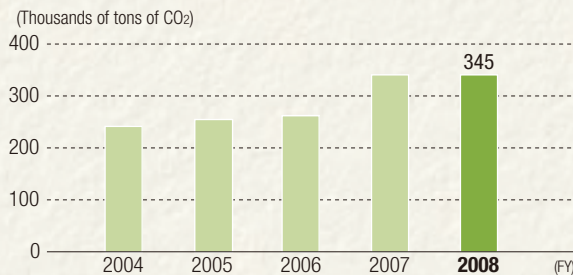
Activity began in June 2009 under the initiative of the Ministry of Economy, Trade and Industry to promote the visualization of greenhouse gases to help realize a low-carbon society.

CO₂ Absorption by Company-Owned Forests

As they grow, forests absorb water, sunlight and CO₂, thereby reducing atmospheric CO₂ concentrations. The Nippon Paper Group owns 90,000 hectares of forests in Japan. To take full advantage of CO₂ absorption in these forests, we manage forests to ensure healthy tree growth. Our forests absorb 345 thousands of tons of CO₂ each year, equivalent to the CO₂ emitted by 65,000 average households*.

* One household emits approximately 5.35 tons of CO₂ per year. (Source: Greenhouse Gas Inventory Office of Japan Fiscal 2007 data)

Yearly Amount of CO₂ Absorbed in Company-Owned Forests in Japan



* The portion harvested is deducted from the sequestered amount of CO₂.

* Sequestered from artificial forests, and natural forests with forest certification. (Amount absorbed from natural forests in fiscal 2007)

Recognition as a Quality Distribution Company

We also reduce CO₂ emissions by saving energy when transporting raw materials and products. By shifting to rail and ship transport, Nippon Paper Industries has achieved a modal shift of 91%, far surpassing the 79% industry average.

In fiscal 2008, Nippon Paper Industries' Kushiro and Asahikawa mills, and Kyokushin Transport were recognized as eco-shipping modal shift business quality distribution companies* by the Ministry of Land, Infrastructure, Transport and Tourism.



* Eco-shipping modal shift business quality distribution companies

The ministry's Director of Maritime Affairs recognizes companies that promote maritime transport and have significantly increased shipping efficiency and reduced environmental impact.

Developing Bioethanol Manufacturing Technology

Recently, bioethanol has attracted attention as a fuel that does not increase the atmospheric CO₂ concentration. Bioethanol produced from rice straw and trees as fuel are gaining notice because they do not compete for food sources.

Nippon Paper Chemicals is the only company in Japan to produce pulp through a sulfite pulp production method. Applying this method, the company is working with Cosmo Oil Co., Ltd., to develop technologies to produce bioethanol from trees. This program employs the Development of Preparatory Basic Bio-Energy Technologies established by the New Energy and Industrial Technology Development Organization (NEDO) in fiscal 2009.

Support Next-generation Growth to Share the Blessings of Nature into the Future

The School of Friendship for Forests and Paper uses Company-owned forests to help children experience nature and paper-making.

The Nippon Paper Group conducts various activities based on its corporate philosophy and corporate citizenship initiatives. One activity involves the School of Friendship for Forests and Paper, which uses Company-owned forests to teach children about the blessings of nature.



The Expanding School of Friendship for Forests and Paper

Malnuma Kogen

(Katashina Village, Tone District, Gunma Prefecture)

1st session, June 2006
2nd session, September 2006
3rd session, June 2007
4th session, September 2007
5th session, June 2008
6th session, September 2008
7th session, June 2009
8th session, September 2009

Sugenuma Forest

Sasuhama Forest

(Ishinomaki, Miyagi Prefecture)
Trial, August 2009

Toyono Forest

(Uki City, Kumamoto Prefecture)

1st session March 2007
2nd session March 2008
3rd session March 2009

School of Friendship for Forests and Paper
(Sasuhama Forest)

School of Friendship for Forests and Paper

Trial in Tohoku to Expand Venues

The School of Friendship for Forests and Paper conducts hands-on courses on the natural environment in the Nippon Paper Group's forests in Japan. The program began with the goal of teaching children about the wonders of nature and the importance of a sustainable society. Cooperating with the Japan Philanthropic Association and Fukuoka-based volunteer organization ASAP, each year we invite members of the general public to participate in the program.

Group employees design programs such as forest walking and stargazing that utilize our mills, forests and other management resources. In particular, making postcards from twigs gathered in the forest is a creative way for participants to experience the connection between nature and everyday life.

Initiatives that began in our Sugenuma forests at Malnuma Kogen in Gunma Prefecture in 2006 have been expanded to include our Toyono forests in Kumamoto Prefecture. As of October 2009, 11 courses have been held, with participants including elementary school students and their parents, as well as local high school students. To increase the number of course venues, in August 2009 we held a trial program at our Sasuhama forests in Miyagi Prefecture.



Making postcards from twigs (Malnuma Kogen)



Forest walking (Malnuma Kogen)

Tohoku Trial Program

Day One



Tree species quiz



Walking in Sasuhama Company-owned forests



Making pulp from twigs

Day Two



Visiting Nippon Paper Industries' Iwanuma Mill



Using the pulp from day one to make paper postcards by hand

Employee Perspective

I have been involved in the School of Friendship for Forests and Paper at Malnuma Kogen since preparations for the first course began. Employees created the program from scratch, and there was a lot of trial and error involved when we held the first course. It was hard work, but we felt it was all worthwhile when we saw the joy on the children's faces.

Working at a company that makes paper, I am very aware of our forest blessings. Through the School of Friendship for Forests and Paper, we teach children the importance of forests as a resource as well as their magnificence.

Following the trial program in Tohoku, I hope that more children will be able to participate in future programs.



Akiko Konno
R&D Planning and Administration Department
Research and Development Division
Nippon Paper Industries

Outline of the Nippon Paper Group

Company Profile

Corporate Name	Nippon Paper Group, Inc.	Date of Incorporation	March 30, 2001
Address	1-2-2, Hitotsubashi, Chiyoda-ku, Tokyo, Japan	Securities Code	3893
Capital	¥55.73 billion	Telephone	+81-(0)3-6665-1000

Group Companies (As of March 31, 2009)

By Financial Statement Classification

Consolidated subsidiaries	36
Non-consolidated subsidiaries	95
Affiliates	50

By Region

	Japan	USA	Canada	Australia	Total
Consolidated subsidiaries	33	1	1	1	36
Affiliated companies accounted for by the equity method of accounting	6	1	1	1	9

Segment Data (As of March 31, 2009)

▶ Pulp and Paper Division

The pulp and paper division, the core business of Nippon Paper Group, manufactures and sells paper, paperboard, household paper products, and pulp.

Consolidated Subsidiaries

Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd.*¹, Nippon Paper Crecia Co., Ltd., Nippon Paper Papylia Co., Ltd.*², Kitakami Paper Co., Ltd., KOYO PAPER MFG. Co., Ltd., Daishowa North America Corporation, Nippon Paper Industries USA Co., Ltd., NP Trading Co., Ltd., Kokuei Paper Co., Ltd.

*¹ On April 1, 2008, Nippon Daishowa Paperboard Co., Ltd. absorbed Nippon Daishowa Paperboard Tohoku Co., Ltd., Nippon Daishowa Paperboard Kanto Co., Ltd., Nippon Daishowa Paperboard Yoshinaga Co., Ltd., and Nippon Daishowa Paperboard Nishinippon Co., Ltd.

*² Mishima Paper Co., Ltd., changed its name to Nippon Paper Papylia Co., Ltd., on April 1, 2008.

▶ Paper-related Division

The Paper-related Division manufactures and sells processed paper products, such as paper containers for liquids and heavy-duty sacks, as well as dissolved pulp and functional chemical products.

Consolidated Subsidiaries

NIPPON PAPER-PAK CO., LTD., Nippon Paper Chemicals Co., Ltd., Nippon Seitai Corporation, FLOWRIC CO., LTD., Sakurai Co., Ltd.

▶ Housing and Construction Materials Division

The Housing and Construction Materials Division purchases and sells lumber and construction materials and conducts civil engineering-related work.

Consolidated Subsidiaries

Nippon Paper Lumber Co., Ltd., South East Fiber Exports Pty. Ltd., NIPPON PAPER UNITEC CO., LTD., Kokusaku Kiko Co., Ltd., PAL CO., LTD., N&E CO., LTD., Daishowa Uniboard Co., Ltd., Kunimoku House Co., Ltd.

▶ Other Division

The other division manufactures and sells soft drinks, develops and operates sports and leisure facilities, and is engaged in the warehouse and transportation business.

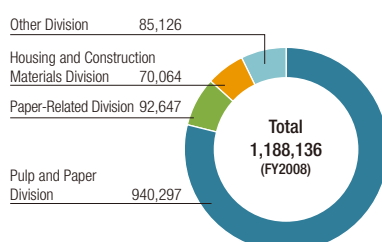
Consolidated Subsidiaries

Nippon Paper Development Co., Ltd., Graphic Art Communication, NIPPON PAPER LOGISTICS CO., LTD.*³, Kyokushin Transport Co., Ltd., NANKO UNYU CO., LTD., Hotoku Co., Ltd., SHIKOKU COCA-COLA BOTTLING CO., LTD.*⁴, SHIKOKU SAWAYAKA SERVICE CO., Ltd., CANTEEN CO., LTD., SHIKOKU COCA-COLA VENDING CO., LTD., SHIKOKU CUSTOMER SERVICE CO., LTD., SHIKOKU COCA-COLA PRODUCTS CO., LTD., DYNAFLOW CO., LTD.

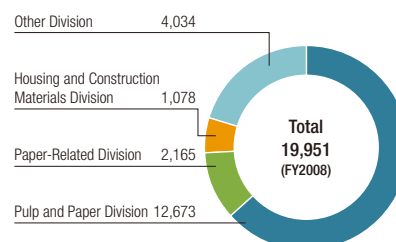
*³ On April 1, 2008, IWAKUNI-KAIUN CO., LTD. was absorbed by Nippon Paper Logistics Co., Ltd.

*⁴ SHIKOKU COCA-COLA BOTTLING CO., LTD., became a wholly consolidated subsidiary of Nippon Paper Group, Inc., through a stock swap on October 1, 2009.

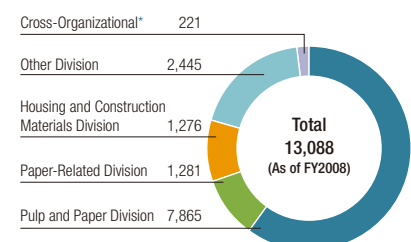
Consolidated Net Sales (Millions of yen)



Consolidated Operating Income (Millions of yen)



Number of Employees by Business



* "Cross-organizational" refers to employees responsible for multiple divisions.

Production Sites of Each Operating Company (As of April 1, 2009)

> Pulp and Paper Division

● Nippon Paper Industries Co., Ltd.

- 1 Kushiro Mill 2 Asahikawa Mill 3 Yufutsu Mill 4 Shiraoui Mill
- 5 Ishinomaki Mill 6 Iwanuma Mill 7 Nakoso Mill 8 Fuji Mill
- 9 Iwakuni Mill 10 Yatsushiro Mill

◆ Nippon Daishowa Paperboard Co., Ltd.

- 11 Akita Mill 12 Soka Mill 13 Ashikaga Mill
- 14 Yoshinaga Mill 15 Otake Mill

■ Nippon Paper Crecia Co., Ltd.

- 16 Tokyo Mill 17 Kaisei Mill 18 Kyoto Mill 19 Iwakuni Mill

▲ Nippon Paper Papylia Co., Ltd.

- 20 Harada Mill 21 Suita Mill 22 Kochi Mill

◆ Kitakami Paper Co., Ltd.

- 23 Ichinoseki Mill

◆ KOYO PAPER MFG. CO., LTD.

- 24 Head Office Mill

● Nippon Paper Industries USA Co., Ltd.

- 25 Port Angeles Mill

> Paper-related Division

● NIPPON PAPER-PAK CO., LTD.

- 1 SOKA PAPER-PAK CO., LTD. 2 EGAWA PAPER-PAK CO., LTD.
- 3 MIKI PAPER-PAK CO., LTD. 4 ISHIOKA KAKO CO., LTD.
- 5 Nakoso Film Co., Ltd.

◆ Nippon Paper Chemicals Co., Ltd.

- 6 Gotsu Works 7 Iwakuni Works 8 Higashimatsuyama Works
- 9 Yufutsu Works

■ Nippon Seitai Corporation

- 10 Asahikawa Mill 11 Maebashi Mill 12 Saitama Mill
- 13 Niigata Mill 14 Kyoto Mill 15 Kyushu Mill

▲ Akita Jujo Chemicals Co., Ltd.

- 16a Head Office Plant

> Housing and Construction Materials Division

● PAL CO., LTD.

- 1 PALTEC Co., Ltd. 2 N&E CO., LTD.

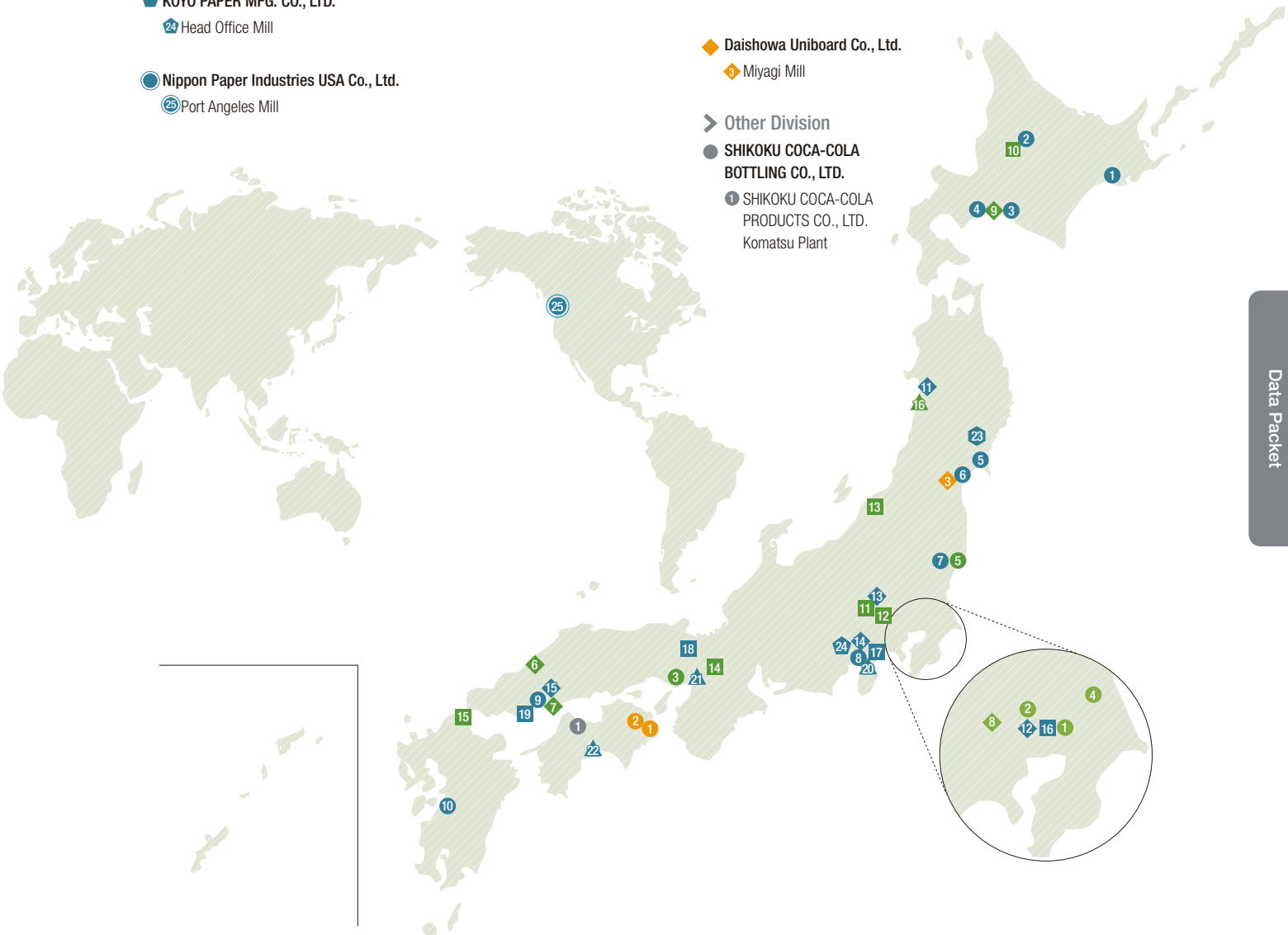
◆ Daishowa Uniboard Co., Ltd.

- 3 Miyagi Mill

> Other Division

● SHIKOKU COCA-COLA BOTTLING CO., LTD.

- 1 SHIKOKU COCA-COLA PRODUCTS CO., LTD. Komatsu Plant



Economic Indexes

Major Financial Indicators

	Unit	FY2004	FY2005	FY2006	FY2007	FY2008
Consolidated Net Sales*1	Millions of yen	1,179,696	1,152,166	1,175,264	1,211,682	1,188,136
Pulp and Paper Division	Millions of yen	870,360	860,993	889,866	950,171	940,297
Paper-related Division	Millions of yen	126,592	110,350	101,459	102,125	92,647
Housing and Construction Materials Division	Millions of yen	95,236	94,041	100,489	82,099	70,064
Other Division	Millions of yen	87,506	86,781	83,449	77,286	85,126
Consolidated Operating Income	Millions of yen	65,231	48,391	44,655	32,834	19,951
Pulp and Paper Division	Millions of yen	47,269	33,197	30,650	20,374	12,673
Paper-Related Division	Millions of yen	8,286	6,181	4,898	4,321	2,165
Housing and Construction Materials Division	Millions of yen	2,339	2,607	2,993	2,337	1,078
Other Division	Millions of yen	7,336	6,404	6,112	5,801	4,034
Operating Income to Net Sales	%	5.5	4.2	3.8	2.7	1.7
Consolidated Ordinary Income	Millions of yen	62,801	49,403	47,088	32,800	17,944
Consolidated Net Income	Millions of yen	24,350	17,192	22,952	5,661	-23,330
Total Assets	Millions of yen	1,529,975	1,492,427	1,565,978	1,625,571	1,492,027
Interest-Bearing Debt	Millions of yen	766,139	692,078	738,230	785,322	784,333
Cash Dividends Paid	Millions of yen	8,762	8,649	8,516	8,675	8,952
Cash Dividends per Share	Yen	8,000	8,000	8,000	8,000	—*2

*1 Overseas operations account for less than 10% of consolidated sales.

*2 This figure is not indicated because a stock split on January 4, 2009, caused the real meaning of one share to change during the period. Assuming the stock split to have been carried out at the start of the term, dividends per share would have been ¥80 (a ¥40 interim dividend and a ¥40 year-end dividend).

Major Debt Ratings (As of August 2009)

Rating Agencies	Ratings
Rating and Investment Information, Inc. (R&I)	Long-term Debt A
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Debt A+

Major SRI Indices Adopted (As of the end of March 2009)

Overseas	Domestic
FTSE4Good Global Index	Morningstar Socially Responsible Investment Index

Major Organizations in Which Nippon Paper Group, Inc., Is a Member (As of April 1, 2009)

Overseas	Domestic
World Business Council for Sustainable Development (WBCSD)	Japan Paper Association*
The United Nations Global Compact	Nippon Keidanren
	Council for Better Corporate Citizenship (CBCC)

* Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Papyrus Co., Ltd., and Kitakami Paper Co., Ltd., which are operating companies, are members.

Employment and Occupational Safety and Health* Indicators

* Safety and health data are calculated by calendar year.

Number of Employees by Business

	As of FY2004	As of FY2005	As of FY2006	As of FY2007	As of FY2008
Number of Employees on a Consolidated Basis	13,774	12,798	12,584	13,666	13,088
Pulp and Paper Division	8,722	8,148	8,040	8,383	7,865
Paper-Related Division	1,747	1,196	1,200	1,327	1,281
Housing and Construction Materials Division	1,174	1,256	1,254	1,258	1,276
Other Divisions	1,917	1,995	1,885	2,487	2,445
Cross-organizational*	214	203	205	211	221

* "Cross-organizational" means the employees responsible for multiple divisions.

Percentage of Female Workers and the Rate of Employment of People with Disabilities

(As of April 1, 2009)

(%)

Item	Percentage/Rate
Percentage of Female Workers in Management*	1.03
Rate of Employment of People with Disabilities*	1.71

* Organizations from which data were collected: Nippon Paper Group, Inc., Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., Nippon Paper Papyrus Co., Ltd., NIPPON PAPER-PAK CO., LTD., Nippon Paper Chemicals Co., Ltd., Nippon Paper Lumber Co., Ltd., NP Trading Co., Ltd., Nippon Paper Development Co., Ltd.

Status of Occupational Safety

	Unit	FY2004	FY2005	FY2006	FY2007	FY2008
Frequency rate of occupational accident*	Frequency Rate	0.46	0.63	0.57	0.55	0.46
Occupational accident severity rate*	Severity Rate	0.02	0.02	0.02	0.01	0.60

* Organizations from which data were collected: Manufacturing sites of Nippon Paper Industries Co., Ltd., Nippon Daishowa Paperboard Co., Ltd., Nippon Paper Crecia Co., Ltd., NIPPON PAPER-PAK CO., LTD., Nippon Paper Chemicals Co., Ltd.

Acquisition of ISO Certification

ISO 9001 Certification (As of April 1, 2009)

Company Name	Mill/Manufacturing Company/Work
Nippon Paper Industries Co., Ltd.	Nakoso Mill
Nippon Daishowa Paperboard Co., Ltd.	Akita Mill, Ashikaga Mill, Soka Mill, Yoshinaga Mill, Otake Mill*
Nippon Paper Papyrus Co., Ltd.	Harada Mill, Suita Mill, Kochi Mill
Nippon Paper Crecia Co., Ltd.	Tokyo Mill
NIPPON PAPER-PAK CO., LTD.	SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD.
Nippon Paper Chemicals Co., Ltd.	Gotsu Works*, Yufutsu Works, Iwakuni Works, Higashimatsuyama Works
FLOWRIC CO., LTD.	Headquarters, Nagoya Mill, Concrete Research Center
Nippon Seitai Corporation	Saitama Mill, Asahikawa Mill, Maebashi Mill
Nippon Paper Development Co., Ltd.	Landscape Department
SHIKOKU COCA-COLA PRODUCTS CO., LTD.	Komatsu Mill
Kokusaku Kiko Co., Ltd.	Yufutsu Works, Asahikawa Works, Machinery and Equipment Business Site
NIPPON PAPER UNITEC CO., LTD.	Four business sites at headquarters
NANKO UNYU CO., LTD.	
Graphic Arts Communication	

* Nippon Daishowa Paperboard's Otake Mill and Nippon Paper Chemicals' Gotsu Works have gained certification for specific product types.

ISO 14001 Certification (As of April 1, 2009)

Company Name	Mills/Manufacturing Companies/Works
Nippon Paper Industries Co., Ltd.	Kushiro Mill, Asahikawa Mill, Yufutsu Mill, Shiraoi Mill, Ishinomaki Mill, Iwanuma Mill, Nakoso Mill, Fuji Mill, Iwakuni Mill, Yatsushiro Mill, R&D Dept.
Nippon Daishowa Paperboard Co., Ltd.	Akita Mill, Soka Mill, Ashikaga Mill, Yoshinaga Mill, Otake Mill
Nippon Paper Crecia Co., Ltd.	Tokyo Mill, Kaisei Mill, Kyoto Mill, Iwakuni Mill
Nippon Paper Papyrus Co., Ltd.	Harada Mill, Suita Mill, Kochi Mill
KOYO PAPER MFG. CO., LTD.	Headquarters - Mill
Kitakami Paper Co., Ltd.	Headquarters - Ichinoseki Mill
NP Trading Co., Ltd.	Companywide
NIPPON PAPER-PAK CO., LTD.	Headquarters, Liquid Packaging Center, SOKA PAPER-PAK CO., LTD., EGAWA PAPER-PAK CO., LTD., MIKI PAPER-PAK CO., LTD., ISHIOKA KAKO CO., LTD.
Nippon Paper Chemicals Co., Ltd.	Gotsu Works, Iwakuni Works, Higashimatsuyama Works, Yufutsu Works
Nippon Paper Industries USA Co., Ltd.	Port Angeles Mill
Nippon Seitai Corporation	Headquarters, Hokkaido Works, Maebashi Mill, Saitama Mill, Kansai Works, Kyusyu Works
Daishowa Uniboard Co., Ltd.	Companywide
SHIKOKU COCA-COLA BOTTLING CO., LTD.	Headquarters, SHIKOKU COCA-COLA PRODUCTS CO., LTD.; Headquarters of SHIKOKU SAWAYAKA SERVICE CO., LTD.; Headquarters of SHIKOKU CANTEEN CO., LTD.; Headquarters of DYNAFLOW
Nippon Paper Lumber Co., Ltd.	Insulator Sales Dept.
Nippon Paper Development Co., Ltd.	Headquarters, Landscape Department, Tokyo Sports and Amusement Department
Sakurai Co., Ltd.	Headquarters
Kyokushin Transport Co., Ltd.	Shiraoi Office
South East Fibre Export	Companywide
Nippon Paper Treefarm Australia	Portland Treefarm Project, Bunbury Treefarm Project, Victoria Treefarm Project
WAPRES	Companywide
Forestico	Companywide
Volterra	Companywide
AMCEL	Tree Farming and Forest Survey Department

Raw Material Procurement-Related Indicators

Countries of Production and Species of Woodchips the Group Procured from Overseas (Fiscal 2008)

Hardwood

Country	1,000 dry tons	Percentage	Species
Australia	1,837.0	50.1%	Eucalyptus
Chile	678.8	18.5%	Eucalyptus
South Africa	652.1	17.8%	Eucalyptus, acacia
Brazil	287.2	7.8%	Acacia
Uruguay	143.3	3.9%	Eucalyptus
United States	50.8	1.4%	Oak mix
Thailand	18.9	0.5%	Eucalyptus
Total	3,668.1	100.0%	

Softwood

Country	1,000 dry tons	Percentage	Species
Australia	418.0	77.2%	Radiata pine
United States	69.0	12.7%	Douglas fir
New Zealand	19.7	3.6%	Radiata pine
Chile	18.3	3.4%	Radiata pine
Russia	16.6	3.1%	Russian pine
Total	541.6	100.0%	

Breakdown of Imported Hardwood Chips by Source Type

(%)

	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009 (Forecast)
"Tree Farm Initiative" plantation	10	8	12	11	14	19
Other plantations	52	54	51	56	53	48
Certified native forests	18	17	15	25	29	33
Non-certified native forests	20	21	22	8	4	0

Overseas Afforestation Areas by Country

(Thousands of hectares)

Country	End of 2003	End of 2004	End of 2005	End of 2006	End of 2007	End of 2008
Australia	61.6	64.0	73.7	77.9	79.6	80.7
Chile	13.5	13.5	13.5	13.5	12.7	13.0
Brazil	—	—	—	62.0	62.0	62.0
South Africa	4.2	4.2	12.1	12.1	11.6	11.6
Total	79.3	81.7	99.3	165.5	165.9	167.3

Status of Forest Certification for Overseas Afforestation Projects and Company-Owned Forests in Japan

Overseas afforestation project (country)	System certification (ISO 14001)	Performance certification
WAPRES/RTA (Australia)	Acquired on April 2003	AFS acquired on September 2004
VTP/VIZ/JAF MATE/KTA (Australia)	Acquired on November 2003	AFS acquired on May 2005
PTP (Australia)	Acquired on February 2005	AFS acquired on June 2006
BTP/AAP/ECOT (Australia)	Acquired on March 2005	AFS acquired on April 2006
SEFE (Australia)	Acquired on August 2004	AFS acquired on October 2006
Volterra (Chile)	Acquired on November 2003	CERTFORCHILE acquired on December 2007
Forestco(South Africa)	Acquired on July 2002	FSC acquired on April 2003
AMCEL (Brazil)	Acquired on October 2003	FSC acquired on December 2008

Company-owned forests in Japan by area	SGEC certification	Comments
Hokkaido	Acquired on December 2005	*The Company's Kitayama Forest in Shizuoka Prefecture was certified in December 2003.
Tohoku	Acquired on October 2007	
Kanto and Chubu	Acquired on October 2007	
Kinki, Chugoku and Shikoku	Acquired on December 2006	
Kyushu	Acquired on March 2005	

Biodiversity Data for Company-Owned Forests in Japan and Overseas

IUCN category*	Japan			Ratio of environmental forest area (%)	Overseas Applicable area (thousands of hectares)
	Applicable area (thousands of hectares)				
	Commercial forest area	Environmental forest area			
Ia	0	0	0	—	0
Ib	0	0	0	—	0
II	5.1	0.6	4.5	88%	0
III	0	0	0	—	0
IV	0	0	0	—	0
V	3.2	2.5	0.7	22%	0
VI	0	0	0	—	0
Not Applicable	81.8	68.6	13.2	16%	167.3
Total	90.1	71.7	18.4	20%	167.3

* IUCN categories

- Ia/Ib: Strict nature reserve/wilderness area (Protected area that is managed mainly for scientific research and wilderness protection)
- II: National park (Protected area managed mainly for ecosystem protection and recreation)
- III: Natural monument (Protected area managed mainly for conservation of specific natural features)
- IV: Habitat/Species Management Area (Protected area managed mainly for conservation through management intervention)
- V: Protected Landscape/Seascape (Protected area managed mainly for landscape/seascape protection and recreation)
- VI: Managed Resource Protected Area (Protected area managed mainly for the sustainable use of natural ecosystems)

Environment-Related Indicators

Balance of Principal Materials for All Businesses

Input				Output			
Fossil energy input		Raw materials		CO₂ emissions from Fossil Energy		Nitrogen	
Electricity	2,204GWh	Woodchips	7,021,000t		7,730,000t		1,930t
Oil	566,000kℓ	Logs	51,000t	SO_x emissions	3,560t	Phosphorous	270t
Coal	2,316,000t	Pulp	330,000t	NO_x emissions	8,110t	Waste generation	688,000BDt
Gas	129,000t	Recovered paper	3,535,000t	Soot and dust	1,400t	Landfill	24,000BDt
Non-fossil energy input		Inorganic filler	640,000t	Chemical substances subject to PRTR Law	(amount released) 279t	Effective use	664,000BDt
Black liquor	4,153,000t	Inorganic chemicals	289,000t	(amount transferred)	21t	Products manufactured	
Other non-fossil fuels*	1,504,000t	Base paper	129,000t	Wastewater	955,000,000t	Paper, household paper	
Chemical substances subject to PRTR Law		Resin	15,000t	Public waters	949,000,000t	Paperboard	5,320,000t
(Amount handled)	18,550t	Printing ink	1,000t	Sewer	6,000,000t	Pulp	1,370,000t
Water consumption	997,000,000t	Raw material chemicals	19,000t	COD/BOD	60,400t	Paper container	126,000t
River water	641,000,000t	Beverage cartons	10,000t	SS	21,200t	Chemical product	135,000t
Industrial water	318,000,000t	Saccharide	10,000t	AOX	780t	Building materials	50,000t
Well water	38,000,000t	Wood-based construction materials				Beverage	129,000t
Public water supply	1,000,000t						

* Biomass fuels, except for black liquor, and waste fuels

Major Environmental Performance Data

		Unit	FY2004	FY2005	FY2006	FY2007	FY2008
Energy	Fossil energy input	Millions of GJ	128	125	121	120	105
	Non-fossil energy input	Millions of GJ	67	72	74	76	71
	CO ₂ emissions from fossil energy	Millions of tons of CO ₂	9.28	9.03	8.67	8.71	7.73
Water consumption		Millions of tons	1,065	1,069	1,067	1,069	997
Wastewater	Amount discharged	Millions of tons	1,036	1,043	1,038	1,023	955
	COD/BOD	Thousands of tons	65.1	67.2	66.5	66.0	60.4
	SS	Thousands of tons	27.7	27.6	27.9	24.3	21.2
	AOX	Thousands of tons	1.49	1.02	0.87	0.88	0.78
Gas Emissions	SO _x	Thousands of tons	5.00	4.19	3.96	4.01	3.56
	NO _x	Thousands of tons	11.1	10.5	10.2	9.80	8.11
	Soot and dust	Thousands of tons	2.08	2.10	1.79	1.76	1.40
Waste	Amount generated	Thousands of tons	583	569	623	701	688
	Landfill	Thousands of tons	19	21	28	26	24

* Figures for Nippon Paper Papyrus Co., Ltd. (formerly Mishima Paper Co., Ltd.), which joined the Nippon Paper Group in 2008, have been added to data for fiscal 2004 to fiscal 2007.

Unit CO₂ Emissions from Fossil Energy and Units of Fossil Energy (Pulp and Paper Division)

	Unit	FY1990	FY2004	FY2005	FY2006	FY2007	FY2008
Unit CO ₂ emissions from fossil energy	t-CO ₂ /product ton	1.18	1.17	1.12	1.08	1.07	1.07
Units of fossil energy	GJ/product ton	17.1	16.1	15.4	15.0	14.9	14.6

* Figures for Nippon Paper Papyrus Co., Ltd. (formerly Mishima Paper Co., Ltd.), which joined the Nippon Paper Group in 2008, have been added to data for fiscal 2004 to fiscal 2007.

Group RP Utilization Rates*

(%)

	FY2004	FY2005	FY2006	FY2007	FY2008
RP utilization rate (Paper + paperboard)	49.7	49.5	50.3	50.9	52.3
RP utilization rate (Paper)	35.8	36.0	36.9	38.0	38.7
RP utilization rate (paperboard)	86.9	87.0	87.8	87.8	89.2

* RP utilization rate = Recovered paper/(Recovered paper + Other pulp)

* Figures for Nippon Paper Papyrus Co., Ltd. (formerly Mishima Paper Co., Ltd.), which joined the Nippon Paper Group in 2008, have been added to data for fiscal 2004 to fiscal 2007.

Environment-Related Indicators

Amounts of Substances Subject to PRTR Law Handled, Released and Transferred*1 (FY2008)

Cabinet order No.	CAS No.	Chemical substance	Unit	Amount handled (Amount generated)	Amount released	Amount transferred
2	79-06-1	Acrylamide	t	1,065	0	0
3	79-10-7	Acrylic acid	t	611	0	0
7	107-13-1	Acrylonitrile	t	1,019	0	0
24		n-alkylbenzenesulfonic acid and its salts	t	50	0	0
29	80-05-7	4,4'-isopropylidenediphenol (bisphenol A)	t	121	0	0
30	25068-38-6	Bisphenol A type epoxy resin	t	17	0	0
40	100-41-4	Ethylbenzene	t	1	0	0
43	107-21-1	Ethylene glycol	t	13	0	0
44	110-80-5	Ethylene glycol monoethyl ether	t	18	13	3
47	60-00-4	Ethylenediaminetetraacetate	t	2	0	0
63	1330-20-7	Xylene	t	45	8	0
65	107-22-2	Glyoxal	t	8	0	0
66	111-30-8	Glutaraldehyde	t	2	0	0
80	79-11-8	Chloroacetic acid	t	1,526	0	0
95	67-66-3	Chloroform	t	293	211	3
109	100-37-8	2-(diethylamino)ethanol	t	1	0	0
112	56-23-5	Carbon tetrachloride	t	10	0	10
114	108-91-8	Cyclohexylamine	t	4	0	0
134	96-23-1	1,3-dichloro-2-propanol	t	2	0	0
177	100-42-5	Styrene	t	4,222	9	0
179		Dioxins*2	g-TEQ	4	0	4
227	108-88-3	Toluene	t	2,064	31	5
253	302-01-2	Hydrazine	t	2	0	0
268	106-99-0	1,3-butadiene	t	2,860	3	0
299	71-43-2	Benzene	t	1	0	0
304		Boron and its compounds (as B)	t	12	0	0
307		Poly (oxyethylene) alkyl ether	t	9	0	0
309	9016-45-9	Poly (oxyethylene) nonylphenyl ether	t	3	0	0
310	50-00-0	Formaldehyde	t	3,839	4	0
313	108-31-6	Maleic anhydride	t	16	0	0
314	79-41-4	Methacrylic acid	t	455	0	0
318	2867-47-2	2-(dimethylamino) ethyl methacrylate	t	133	0	0
320	80-62-6	Methyl methacrylate	t	126	0	0
Total (excludes substances less than one kilogram)*3				18,550	279	21

*1 The amounts of substances handled (excluding dioxins) that total one ton or more were handled. Besides dioxins, no designated Type I chemical substances that are subject to reporting if the handling quantity is 0.5 ton or more were handled. No ozone depleting substance subject to PRTR Law as listed below was handled.

*2 Dioxins are unintentionally generated.

*3 Total does not include dioxins.

Environment-Related Complaints (FY2008)

Item	Noise	Vibration	Offensive odor	Dust and mist dispersal	Smoke	Other	Total
No. of Complaints	26	2	17	11	12	10	78

External Awards for Environmental Conservation Activities (FY2008)

Mill	Award	Award Organization
Kushiro Mill and Asahikawa Mill of Nippon Paper Industries Co., Ltd.	Fiscal 2008 Eco-Ship Business Excellence Award	Ministry of Land, Infrastructure, Transport and Tourism
Nippon Paper Development Co., Ltd.	Electricity Usage Rationalization Award	Kanto Region Electricity Usage Rationalization Committee

Environmental Accounting*

Cost for Environmental Conservation

(Millions of yen)

Category	Principal activities	Investment	Cost
(1) Business area cost			
1. Pollution prevention cost	Operation and maintenance of and improvements to air pollution control and water pollution control facilities	1,136	18,506
2. Global environmental conservation cost	Global warming countermeasures, operation and maintenance of company-owned forests	20,005	671
3. Resources circulation	Recovered paper recycling, industrial waste treatment, reduction and recycling	2,086	8,253
(2) Upstream/downstream cost	Pallet recovery	—	1,222
(3) Administration cost	ISO 14001 inspection, operation and management; environmental data disclosure; environmental education for employees; cleaning of company premises	—	641
(4) R&D cost	R&D into eco-friendly products and curtailment of the environmental burden of paper production processes	—	1,038
(5) Social activity cost	Regional nature conservation, forestation and beautification activities; support for and contributions to environmental groups	—	147
(6) Environmental remediation cost	Pollution-related health damage compensation (SOx)	—	636
Total		23,227	31,113

Effect of Environmental Conservation

Category	Indicator of Environmental Impact	Area	YoY change
Effects related to resources introduced to business activities	Afforestation projects overseas	Overseas afforestation areas	167,000 hectares
	Energy-saving measures	Fuel use (fuel oil equivalent)	—
Effects related to environmental impact and waste from business activities	Greenhouse gas emission control	CO ₂ emissions	—
	Emissions of hazardous air pollutants	NO _x emissions (NO equivalent)	8,113 tons
		SO _x emissions (SO ₂ equivalent)	3,556 tons
		Soot and dust emissions	1,403 tons
	Emissions of water contaminants	Wastewater	955 million tons
		COD/BOD emissions	60,418 tons
		SS emissions	21,227 tons
AOX emissions		778 tons	
Landfill		24,000 tons	
Effects related to environmental impact and waste from business activities	Product recycling	Recovered paper usage rate	52.3%
	Shipping materials recycling	Pallet recovery rate	45.6%

Economic Benefits of Environmental Conservation

(Millions of yen)

Effect	Amount
Income from our forests in Japan	470
Reduced expenses from energy saved	1,212
Reduced disposal expenses through effective use of waste	4,337
Gain on sales from effective recycling of waste	590
Reduced expenses through recycling of shipping materials	526
Total	7,135

* Accounting standards are based on Environmental Accounting Guidelines 2005

Storage and Use of PCB-Containing Electrical Equipment (FY2008)

	Transformers	Capacitors	Reactors	Ballasts
Stored	19	1,161	1	2,600
In operation	0	76	0	27

* Figures denote confirmed units

Targets and Performance of Environmental Conservation Activities

Basic Policy in the Charter on the Environment	Green Action Plan 2010	Fiscal 2008 Efforts and Progress
1. Act to counter global warming	Reduce carbon dioxide emissions from fossil fuels by 16% from their fiscal 1990 levels on a per-product basis by fiscal 2010	Achieved 9.3% reductions from fiscal 1990 levels through promotion of energy savings at mills and operation of newly installed boilers.
	Reduce fossil fuel consumption by 20% from its fiscal 1990 level on a per-product basis by fiscal 2010	Achieved 14.6% reduction from fiscal 1990 levels through promotion of energy savings at mills and operation of newly installed boilers.
	Reduce greenhouse gas emissions	Promoted installation of new boilers and introduction of energy-saving equipment. Contributed to CO ₂ absorption through proper management of forests owned by the Nippon Paper Group in Japan and overseas.
	Manage company-owned forests in Japan based on sound practice designed to ensure carbon dioxide absorption and sequestration	Promoted acquisition of forest certification for Company-owned forests in Japan. Acquired forest certification for all Company-owned forests in Japan. *1
2. Protect and develop forest resources	Proceed with the Tree Farm Initiative, an overseas afforestation project that fosters sustainable sources of hardwood chips, to achieve an overseas afforestation area of 200,000 hectares by 2015	Achieved an overseas afforestation area of 167,000 hectares as of the end of 2008. Currently implementing ongoing measures in pursuit of target afforestation area.
	Acquire forest certification for all company-owned forests by 2008	Japan: Acquired forest certification for all forests by October 2007. Overseas: Amapa Florestal e Celulose Ltda. (AMCEL) of Brazil acquired FSC certification in December 2008, thus achieving the target of complete forest certification for all overseas Company-owned forests.
	Increase the proportion of material from certified or afforested forests to 100% of imported hardwood chips by 2008	Reached a proportion of material from certified or afforested forests of 97% for 2008*2. Completed certification in January 2009 for the state-owned Karri forest, from which materials are purchased through WA Plantation Resources (WAPRES), from the Forest Products Commission (FPC), which manages state-owned forests in Western Australia. As a result, all suppliers dealing in native forests are now CoC-certified.
	Develop advanced technologies for boosting lumber cultivation	Planted 40,000 fast-growing, desiccation-tolerant select superior trees in a plantation in Western Australia. Next-generation screening of characteristics and pulpability testing spawned three potential elite tree systems. Improved root-generation capabilities of clone cuttings at AMCEL of Brazil. Commenced hybridization breeding of elite trees.
3. Increase use of recycled resources	Increase the recovered paper usage rate to 50% or higher by fiscal 2008	Raised de-inked pulp (DIP) content while maintaining quality. Reached 52.3% in fiscal 2008.
	Reduce final waste disposal to maximum 4% of fiscal 1990 levels by fiscal 2010	Final disposal amount for fiscal 2008 in Japan was 1.0% of fiscal 1990 levels. Target attained.
	Increase the ratio of products made from waste to 25% or more of total waste generated, by fiscal 2010	Promoted implementation of granulation facilities. Achieved 27.5% realization ratio of products made from waste in fiscal 2008.
4. Comply with environmental statutes and work to minimize our environmental impact	Maintain and strengthen our environmental management systems	Gained separate certification for the Iwakuni Mill of Nippon Paper Industries Co., Ltd., and the Iwakuni Works of Nippon Paper Chemicals Co., Ltd., which formerly had been obtained jointly, consequently reinforcing management. Prepared for ISO14001 certification at the Niigata Works of Nippon Seitai Corporation and for Eco-Action 21 certification at Akita Jujo Chemicals Co., Ltd.
	Define and manage voluntary control targets for preventing air, water, and soil pollution; noise; vibration; and foul odors	Set separate voluntary emissions management targets at works and mills for gas and water, and instituted controls to observe emission standards and protocols. Carried out voluntary water quality inspections for onsite wells and groundwater, depending on the soil and the mill.
	Control chemical substances appropriately by identifying substances whose use is to be prohibited or emissions, reduced	Encouraged the use of alternative substances.
	Accelerate the shift to transport modes, containers, and packing materials with low environmental impacts	Gained recognition for Kushiro Mill and Asahikawa Mill of Nippon Paper Industries Co., Ltd., and Kyokushin Transport Co., Ltd., as Fiscal 2008 Eco-Ship Modal Shift Project companies of excellence (for distinguished achievement in promoting eco-ship modal shift operations with the aim of raising transportation efficiency and reducing environmental impact through positive use of marine freight transportation).
	Move ahead with green procurement of office equipment, supplies, and other needs	Recommended green purchasing at each Group company.
5. Develop environmentally friendly technologies and products	Step up the research and development of environmentally safe, resource-saving products	Launched new Nippon Paper Industries Co., Ltd., brands in response to the law on promoting green purchasing. Developed thin cardboard base paper at Nippon Daishowa Paperboard Co., Ltd., and thin contractual paper at Nippon Paper Papyrus Co., Ltd.
	Conduct research and development of technologies for reducing environmental impact at all stages of manufacturing	Investigated technologies for DIP manufacturing from low-grade used paper and promoted use of de-inked pulp. Developed technologies to shift to materials that have a lower environmental impact.
	Continue to install and improve resource-saving equipment	Promoted installation of boilers and introduction of energy-saving equipment.
6. Engage in active environmental communication	Disclose environmental information to stakeholders in a timely manner through sustainability reports and on the website	Published sustainability reports and magazines communicating with the public on environment issues.
	Engage actively in local environmental communication through dialogue with the public and the government	Continued risk communication and other environmental communication.
	Play an active role and support environmental conservation activities and initiatives	Participated in cleanups (roadways near facilities, overseas, ports and harbors), tree-planting and local afforestation activities.

*1 Refers to forests owned by Nippon Paper Industries Co., Ltd., which owns 95% of the Group's forests in Japan.

*2 Refers to Nippon Paper Industries Co., Ltd.

Third-Party Comments/Actions in Response to Third-Party Comments

Third-Party Comments



Yoshinao Kozuma
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The Nippon Paper Group's Sustainability Report 2009 addresses several important CSR developments. Each of these issues necessitates a broad-ranging, comprehensive and systematic response, which provides an effective check-point in evaluating the current state of CSR management.

The first issue concerns follow-up information on the discrepancy in the ratio of de-inked pulp content. Fulfillment of accountability and formulation of measures to prevent recurrence are by no means sufficient to remedy this problem. The Group must also implement planned measures and ensure their effectiveness. In this sense, the Stakeholder Dialog held in June 2009 can be heralded as a brave step. This is because it involved gathering stakeholders from all quarters connected with the recycled paper issue and accepting the thorough evaluation of recurrence countermeasures currently being implemented. This amenability, even to astringent opinions from direct stakeholders, communicates the Nippon Paper Group's strong commitment to eradicating this problem. However, even the most finely constructed preventative countermeasures carry a strong sense that stopgap measures are being put in place. Accordingly, further changes to consciousness throughout the organization, with ongoing reviews of results, are required to avoid different problems arising from the same organizational climate in the future.

Another key point in my evaluation is the achievement of two environmental management targets. The first of these pertains to raw material procurement measures. The environmental impact posed by raw material procurement is potentially a vulnerable area for the paper industry in its consumption of forest resources. Of the three targets set to facilitate sustainable raw material procurement, the remaining two were attained during fiscal 2008: the goal of obtaining forest certification for all Company forests and aims to procure 100% of imported hardwood chips from plantation or certified forests. This fact, in conjunction with cooperation with local governments over promotion of tree thinning, is worthy of praise as a result of steady supply chain management.

The second point is completion of the installation of boilers that can use biomass and other such fuels at 10 domestic mills. This initiative led to cuts in fossil-fuel-derived CO₂ emissions, which accounted for approximately 10% of total emissions during fiscal 2008. However, curtailment of greenhouse gases tends to be carried out globally on a footprint basis. There are growing calls for the adoption of Scope 3, which refers to indirect generation source management. In the future, I would like to see a supply chain management perspective also introduced into climate change countermeasures and initiatives to reduce the carbon footprint of business activities.

Profile

After withdrawing from the Sophia University Graduate School of Economics upon completion of the latter period of the doctoral course, Yoshinao Kozuma became a research assistant at the Nagoya Institute of Technology and attended the Limperg Institute for Business and Economic Research as a guest researcher funded by the Dutch government. He became an associate professor at the University of Shizuoka School of Administration and Informatics, and then took up his current position as professor in the Faculty of Economics at Sophia University. He has held successive positions as chair or member of CSR- and environment-related advisory panels, study groups, and research conferences for the Ministry of the Environment; the Ministry of Economy, Trade and Industry; the Ministry of Land, Infrastructure and Transport; the Cabinet Office; and the Japanese Institute of Certified Public Accountants. He is also director of the Japan Accounting Association.

Actions in Response to Third-Party Comments

The Nippon Paper Group places the utmost importance on dialog with stakeholders. In response to the discrepancy in the ratio of de-inked pulp content, we have created a framework to ensure compliance with assured pulp content and are conducting compliance training. The current measures and policies have been assessed by external parties at our Stakeholder Dialog in June 2009. As indicated by Professor Kozuma, in the future we will confirm that compliance is firmly rooted in our organizational climate as we progress with ongoing measures and improve our framework and methodologies.

Attaining our environmental management targets despite worsening economic conditions is, I believe, a direct result of the unified efforts of all our employees toward these goals. However, we shall push on with our CSR activities rather than resting on our laurels over these results. Specifically, in tackling the problem of climate change we aim to extend our emissions reductions to include offices and other areas of indirect impact, in addition to our manufacturing activities. At the same time, we are working in collaboration with related industries and adopting a perspective that spans product lifecycles as part of our drive to step up the pace of our initiatives. Moreover, we are embarking on the creation of new forests under the guidance of Professor Miyawaki in a bid to aggressively conserve biodiversity.

As we expand and improve our Sustainability Report, we are also fulfilling our duties in terms of accountability. I look forward to hearing the candid opinions of all stakeholders on the content of this year's publication.



Tsuyoshi Yamashita
Executive Vice
President,
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Director and
General Manager of
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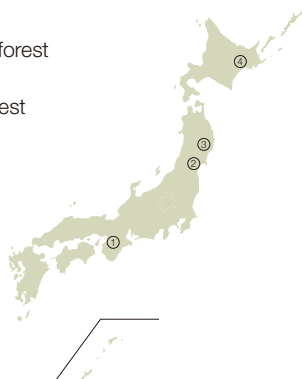
The cost of the paper used for this report includes a portion of the expense of using timber from forest thinning discarded in the forest. (See page 10)

Cover Photographs



- ① Odaigahara forest
- ② Toya forest
- ③ Kamaishi forest
- ④ Akan forest

Photographer:
Yuhji Itsumi



The Paper Used for This Report

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NPi matte green 70 is forest certified paper consisting of at least 70% de-inked pulp. The de-inked pulp content was verified by a management system created by Nippon Paper Industries. Furthermore, third-party audits by SGS Japan Inc. confirm that the system is operating correctly.



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